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The Magazine for Fleet Administrators
November 1983

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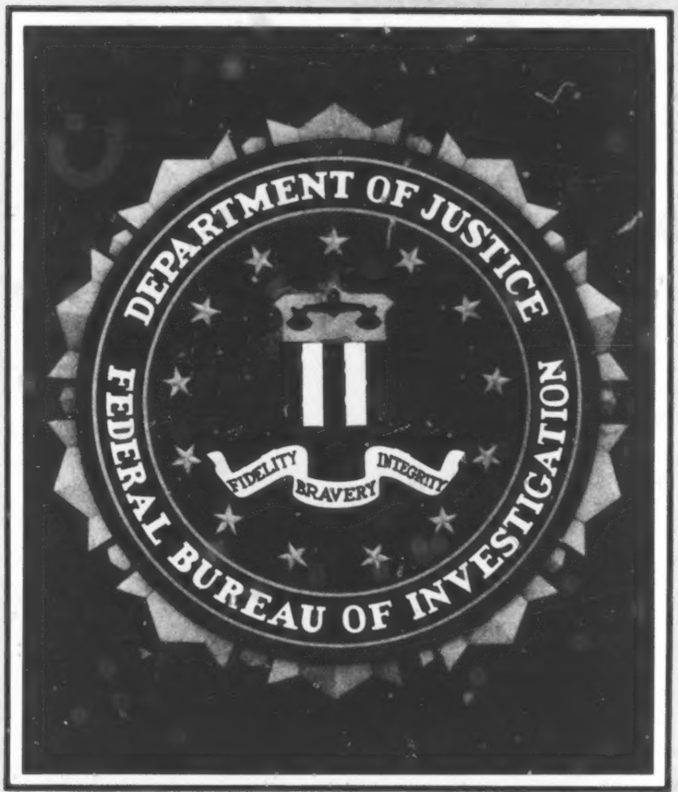
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MISSION:
SAFE & RELIABLE FLEET
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news highlights

Designed For Your Benefit:

NAFA's New Educational Program

NAFA's Unified Educational Program reinforces NAFA's aims and purposes — to encourage and promote the economic, efficient and safe operation of passenger car fleets. By providing educational seminars for fleet managers, we are able to achieve these goals.

In 1984, NAFA will again be offering "Basic Principles of Fleet Management," "Advanced Fleet Management," and "Automotive Familiarization," in addition to its acclaimed annual conference and annual seminar/workshop devoted to the needs of its Law Enforcement Group.

New dates and sites have been recommended by NAFA's Educational Committee Chairman Marilyn Leach and approved by the Board of Governors. The

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1984 Educational Calendar

Basic Principles of Fleet Management

Dates	Locations
January 31, February 1-2	Orlando, Florida
May 8-10	Detroit, Michigan
October 17-19	Vancouver, B.C.

Advanced Fleet Management

Dates	Locations
July 11, 12	Chicago, Illinois
November 14, 15	Houston, Texas

Automotive Familiarization

Dates	Locations
January 16-20	Boston, Massachusetts
September 10-14	Chicago, Illinois
November 5-9	Montreal, Quebec

Annual Conference

Dates	Location
March 17-21	Los Angeles, California

Law Enforcement Group Seminar/Workshop

Dates	Location
August 5-8	Memphis, Tennessee

Cover: Illustrated by Cindi Samol

NAFA Bulletin
Official Monthly Publication of The National Association of Fleet Administrators, Inc.
295 Madison Avenue, New York, N.Y. 10017 Telephone: 212-689-3200
Executive Director
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Director of Publications
LYNNE WARSHAVSKY
Legal Counsel
WILLARD H. DaSILVA

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In 1984, NAFA will again be offering three programs in addition to its annual conference and Law Enforcement seminar/workshop.

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Mission: Safe & Reliable Fleet 8
A team of four men from the Federal Bureau of Investigation have redefined their goals and strategies in order to achieve a professional fleet operation.

Welcome the Sunshine State Chapter 16
NAFA's Board of Governors took several actions to expand the Association's scope and increase membership. One of the important steps was granting the charter to the Sunshine State Chapter.

Wisconsin's Computer System Performs Many Functions 20
The State of Wisconsin recently implemented a fleet information system to manage its Central Fleet of 1,250 vehicles.

Illinois Study Indicates Roof Lights Don't Help Police ... 22
The Illinois State Police conducted a study which answers the question: Can police patrol cars be effective without roof lights?

Hotline 27

How Your Association Is Governed 30
A first in a series, explaining how your Association is managed.

DOT Stresses Safety 32
James H. Burnley, IV, general counsel, U.S. Department of Transportation, talks about the many aspects of DOT's policies.

Choose 'Right Car' 40
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Here's a Surprise:

Illinois Study Indicates Roof Lights Don't Help Police

Can police patrol cars be effective without roof lights? This serious question is widely discussed by law enforcement agencies throughout the country. At the 1983 Law Enforcement Seminar/Workshop, a thorough report on a study by the Illinois State Police was one of the major presentations of the meeting. The presentation was made by NAFA Member Lt. Robert E. Cline, Illinois State Police. He was assisted by John M. Grow, former manager of transportation services, California Highway Patrol.

This article is based on the results of the Illinois study and contains the State Police's conclusions.

The Illinois Study indicated that by removing the roof-top mounted light would result in reduced fuel consumption by those vehicles.

One major concern was safety, but analysis completed by the California Highway Patrol and the Illinois State Police of squad car accidents indicate that roof lights play no measurable part in reducing accident potential of police patrol vehicles.

Illinois' experience further indicated that unmarked vehicles are actually less likely to incur accidents than marked vehicles. The report theorized that by removing the roof mounted lights, enough fuel could be conserved in four months to pay for the cost of conversion to a new system of lighting, and as an added benefit, the vehicles would achieve greater acceleration and top speed.

As a result of that study, 132 1982 Ford patrol vehicles were placed in service all with our full markings, but with 66 of them without roof-top lights and 66 with roof-top lights.

For comparison purposes, each vehicle without a roof-top light was paired with a vehicle that did have one and these pairs were assigned as nearly the same type of patrol and workload as possible. They went to all areas of the state except for Cook County (Chicago area) and the Illinois Tollway System. We began compiling data on:

The number of accidents each officer investigated.

The number of reports each officer investigated.

The number of Motorists Assists by each officer.

The number of Warnings issued by each officer.

The number of Citations issued by each officer.

The number of squad car accidents by group.

The number of miles driven by each car.

The fuel consumed by each car.

At the end of the first 6-month period after these vehicles were placed in service, a survey was completed by the drivers of the 66 vehicles without the roof-top lights to obtain their perceptions in five areas:

1. Public acceptance.
2. Productivity.
3. Voluntary compliance.
4. Public recognition of the vehicle.
5. Officer safety.

Findings at the end of the 6-month operation:

Fuel Consumption

The vehicles with light bars averaged 11.79 miles per gallon and the vehicles without light bars averaged 12.55 miles per gallon; a 6.4 percent improvement.

Accidents

The vehicles with light bars were involved in accidents at a higher frequency and incurred greater damage than the vehicle without light bars.

The accident cost average with bars: $1,435

The accident cost average without bars: $165

Productivity

There was no difference in the numbers between the two groups in:

Number of accidents investigated
Number of reports investigated
Number of Motorists Assists
Number of Warnings

There was a significant difference in numbers of citations written:

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Roof Lights Don't Help Police

(Continued from page 22)

Units with roof-top lights produced one citation for each 4.48 hours of patrol.

Units without roof-top lights produced one citation for each 2.76 hours of patrol.

Survey of Officers Perceptions

More than half of the officers were assigned a patrol consisting of both interstate and noninterstate highways.

The officers were of all levels of experience, 25% having under five years experience, another 25% with five to thirteen years experience, and 50% having more than thirteen years experience.

Questions:

1. If given the choice, I would request that my unit be equipped with a roof-top light bar.

Responses	
NO	90%
Undecided	4%
YES	6%

2. Patrol in a vehicle without light bar results in (less/more) voluntary compliance with traffic regulations by motorists than does patrol in a unit with.

Saw no difference	50%
Less compliance	26%
More compliance	24%

About
Equal

3. When they are seeking assistance, motorists have (less/greater) difficulty identifying a vehicle without roof-top lights than one with them.

No difference	70%
Greater difficulty	20%

4. Public opinion of our use of vehicles without roof-top lights is one of

Disapproval 6%

5. I would make (fewer/more) arrests in a unit with roof-top lights than one without.

Compact cars or full-size? Two doors or four? Four, six or eight cylinders? Gasoline or Diesel?

Anticipated decrease	57%
No change	26%
Increase	22%

6. Responding to emergency calls in a unit **without** roof-top lights is (less/more) dangerous than one with roof-top lights.

No difference	50%
Slight level of increased danger	40%
More dangerous	10%

7. When responding to nonemergency calls, it is (less/more) difficult to get through traffic in a unit without roof-top lights.

No difference	67%
Some difficulty	14%
More difficulty	6%
Less difficult	13%

8. Use of a vehicle without roof-top lights for accident investigation (decrease/increase) the amount of safety afforded the officer and motorist as compared to a vehicle with roof-top lights.

Saw no difference	50%
Some level of decreased safety	46%

9. Once I identify a traffic violator, I have a (less/more) difficult time making the stop in a unit without roof-top lights.

Saw no difference	70%
Some difficulty	25%
Greater degree	25%
Less difficult	5%

10. Generally speaking, I feel (more/less) safe driving a unit with roof-top lights than one without.

Saw no difference	77%
More safe	14%

The opinions of these officers are reflected in the statement of one:

"I, personally, like my unit without the roof-top lights. In fact, it has made me even more

(Continued on page 26)

ELECTION.

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> ***"Illinois' experience further indicated that unmarked vehicles are actually less likely to incur accidents than marked vehicles."***

Roof Lights Don't Help Police

(Continued from page 25)

safety conscious knowing that there is a possibility that I may **not** be seen."

Performance

Top Speed

11. If my unit were equipped with a roof mounted light bar, my top speed would
    89% feel that speed would decrease
    10% expected no change

Acceleration

12. If equipped with a roof mounted light bar, my unit would have (faster/slower) acceleration.
    78% slower
    22% no change

Fuel Consumption

13. My unit gets (less/more) miles per gallon than it would with a roof mounted light bar.
    78% more
    20% saw no difference

Conclusions

The study clearly indicates that vehicles without roof mounted lights obtain better fuel mileage than those with.

Officer responses indicate that vehicles without roof-top lights:

Have greater acceleration
Have greater top speed
Consume less fuel

Data indicates that vehicles without roof-top lights had fewer and less severe accidents. Only 6% of the troopers surveyed felt that the public disapproved of the vehicles without roof-top lights.

Finally, the data indicated that while the two test groups represented similar patrols, productivity with regard to speeding citations was significantly greater for the units without roof-top lights.

HYATT REGENCY FLINT

Robert Cline with the Illinois State Police presented the findings of the Illinois study. John Grow (seated), former manager of transportation services, California Highway Patrol, assisted Cline with his presentation.

Recommendations

Deployment of more vehicles without roof-top lights. Benefits would be:

Better performance
Better fuel economy
Better accident picture
Increased trooper productivity

NOTE: We did deply an additional 143 units in 1983. ■

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NAFA Bulletin

holiday greetings

news highlights

New Goals in Management Is 'Major Thrust' of Annual Conference

"Strive for New Goals," is the theme for NAFA's 27th Annual Conference to be held March 17-21, 1984,at the Westin Bonaventure Hotel in Los Angeles, California.

According to General Conference Chairman Bill Gravesmill, "The major thrust of the conference is new goals in management. All topics will be tied tightly to management studies."

New Approach

A new approach has been taken in establishing an agenda that is both innovative and informative. There will be a different theme for each day of the conference. Sessions and workshops will focus on "New Management Concepts" on Monday, "Fleet Management Concepts" on Tuesday, and "Solving Vehicle Management Problems" on Wednesday.

Topics Covered

Some of the topics to be covered during the three days will be: Understanding Your Different Management Roles; Managing with People — for Team Problem Solving; Legislative Update; Effective Fleet Management Communications; Risk Management Alternatives; Fleet Managers and Their Environment; Repair Fraud and Emissions Inspections Programs, and After-Market Fuel Devices: Do They Work?

The Westin Bonaventure Hotel in Los Angeles is the site for NAFA's 27th Annual Conference.

More Workshops

A completely new format has been developed for the ever-popular workshops, long a tradition at NAFA conferences. This year there will be three types of workshops with a different moderator for each one. The first will be the traditional industry workshop where you will share information with managers within your business area. The second workshop, answering a long-felt need, will be by size of fleet. Here

(Continued on page 4)

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"Strive for New Goals" is theme for NAFA's 27th Annual Conference.

Used Car Marketing Survey 5-6
Survey form to be filled out and sent back to NAFA.

The National Energy Policy Plan 8
The Department of Energy has submitted to Congress a National Energy Policy Plan. The goal is to foster an adequate supply of energy at reasonable costs — a goal on which nearly everyone can agree.

Consumers Buy Used Cars 12
The used car can bring in more dollars if it is desirable to the buyer, who, most often, is the consumer. Therefore, it is important to know as much as you can about what the consumers' needs, habits and tastes are.

Runzheimer's Profile of Today's Fleet Car 17
There are different variables that go into selecting the 'right' fleet car. The points made by Runzheimer are based on its 1983 study.

Hotline 31
Joe Alacchi, NAFA's technical service consultant, gives advice on cold weather operation that will be beneficial to you and your drivers.

How Your Association Is Governed — Part II 34
This article describes the activities and role of the Association's Board of Governors.

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Runzheimer's 'Profile' Of Today's Fleet Car

Robert Kastengren, executive vice president, Transportation Division, Runzheimer & Co., Inc., and Brad Burris, publisher, ***Runzheimer Reports****, were part of a panel discussion at the AALA meeting recently held in Washington. The panel, which included Bill Gast of Mike Albert Leasing, discussed the variables that go into selecting the 'right' fleet car.*

The points made by both Kastengren and Burris are based on a 1983 study conducted by Runzheimer. The following article highlights its findings.

With responses from 775 fleets, Runzheimer drew a composite fleet summary that in 1983 consisted of 335 units. Within this average fleet there were 124 compacts; 77 intermediates; 77 subcompacts; 30 intermediate specialty cars; 24 full-size cars, and three luxury cars.

Sixty-two percent of company-provided cars, according to the Runzheimer study, are four-door sedans, 15 percent are two-door coupes; 15 percent are hatchbacks, and eight percent are station wagons. Some 55 percent of all cars ordered by the fleets in 1983 were front-wheel drive cars, according to the survey.

Engine Sizes

In its section on engine sizes, Runzheimer reported, "although more firms are likely to have 6-cylinder cars than 4 or 8-cylinder cars, most cars (54 percent) operated by our respondents are powered by four-cylinder engines. Thirty-eight percent of all respondent fleets have six-cylinder engines, while only eight percent have V-8 engines. These survey results show that downsizing has definitely become a reality among United States business fleets."

(Continued on page 22)

Car Sizes In Today's Fleets

Looking at car sizes, we see as expected for U.S. business, except, perhaps a higher percentage of subcompacts than we would expect.

In U.S. government, the larger sizes really represent the fact that the government car is cycled less frequently and so they have more older cars still in service.

Canadian business is even better focused in the compact and intermediate categories, with but few subcompacts and full size cars.

Size	U.S. Business	U.S. Government	Canadian Business
Subcompact	23%	20%	4%
Compact	37	37	53
Intermediate	23	29	23
Intermediate Specialty	9	2	11
Full Size	7	11	8
Luxury	1	1	1

What Is The Greatest Problem Foreseen By Fleets For The Near Future?

As cars are being held longer, as more 4's and front-wheel drive's come on the scene, the cost of maintenance and repairs becomes a larger concern doesn't it?

Problem	U.S. Business	U.S. Government	Canadian Business
Cost of Maintenance and Repairs	31%	42%	19%
New Car Prices	20	17	7
Vehicle Selection	10	7	13
Miscellaneous	10	19	12
Vehicle Disposal	9	2	5
Cost of Financing	8	1	9
Cost of Gasoline	5	8	19
Driver Morale	4	2	8
Personal Use Chargebacks	3	2	8

Today's Fleet Car

(Continued from page 17)

In reporting on replacement cycling, the Runzheimer study revealed that "most (62 percent) United States respondents with company-owned or leased vehicles use a combination of time and mileage guidelines when replacing their fleet cars. Fourteen percent use "mileage only" and nine percent use "time only." Fifteen percent have no specific vehicle replacement policy. According to Runzheimer, "36 months/60,000 miles is the most common combination of limitations for replacement of business cars among our sample."

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Accessories Used In Today's Fleets

The only surprise here might be the figures showing that the AM/FM radio is more frequently ordered in fleets than the standard AM only radio.

1983 government cars, on the whole, have fewer accessories and optional equipment than private business cars. The percentages listed for each item are less frequent than for 1983 business cars. In an effort to cut costs, the government vehicle is often a "stripped-down" model compared to its private sector cousin.

Accessory	U.S. Business	U.S. Government	Canadian Business
Power Steering	98%	92%	100%
Power Brakes	98	93	100
Automatic Transmission	97	98	99
Air	96	73	77
Tinted Glass	91	59	77
Cruise Control	57	15	41
AM/FM Radio	53	13	53
AM only Radio	47	67	47

Engine Sizes In Today's Fleets

Here we see the dominance of the 4 cylinder engine for fleet car usage — the government column once again representing a lot of "older" cars that haven't been cycled down yet.

Engine Size	U.S. Business	U.S. Government	Canadian Business
4	54%	33%	54%
6	38	35	37
8	8	32	9

Body Styles In Today's Fleets

Body Style	U.S. Business	U.S. Government	Canadian Business
4-door Sedan	62%	88%	65%
2-door	15	5	11
Station Wagon	8	4	8
Hatchback	15	3	16

Large Car Demand To Lessen in 1984

Automakers are adding front-wheel drives to their lineups while dropping rear-wheel designs. Here's what Chase Econometrics says about overall manufacturer production.

Category	Production Currently	Production Expected In 1984
Larger, RWD	55.0%	54.0%
Smaller, FWD	21.8	22.5
Sporty	8.4	8.5
Specialty	14.8	15.0

NOTE

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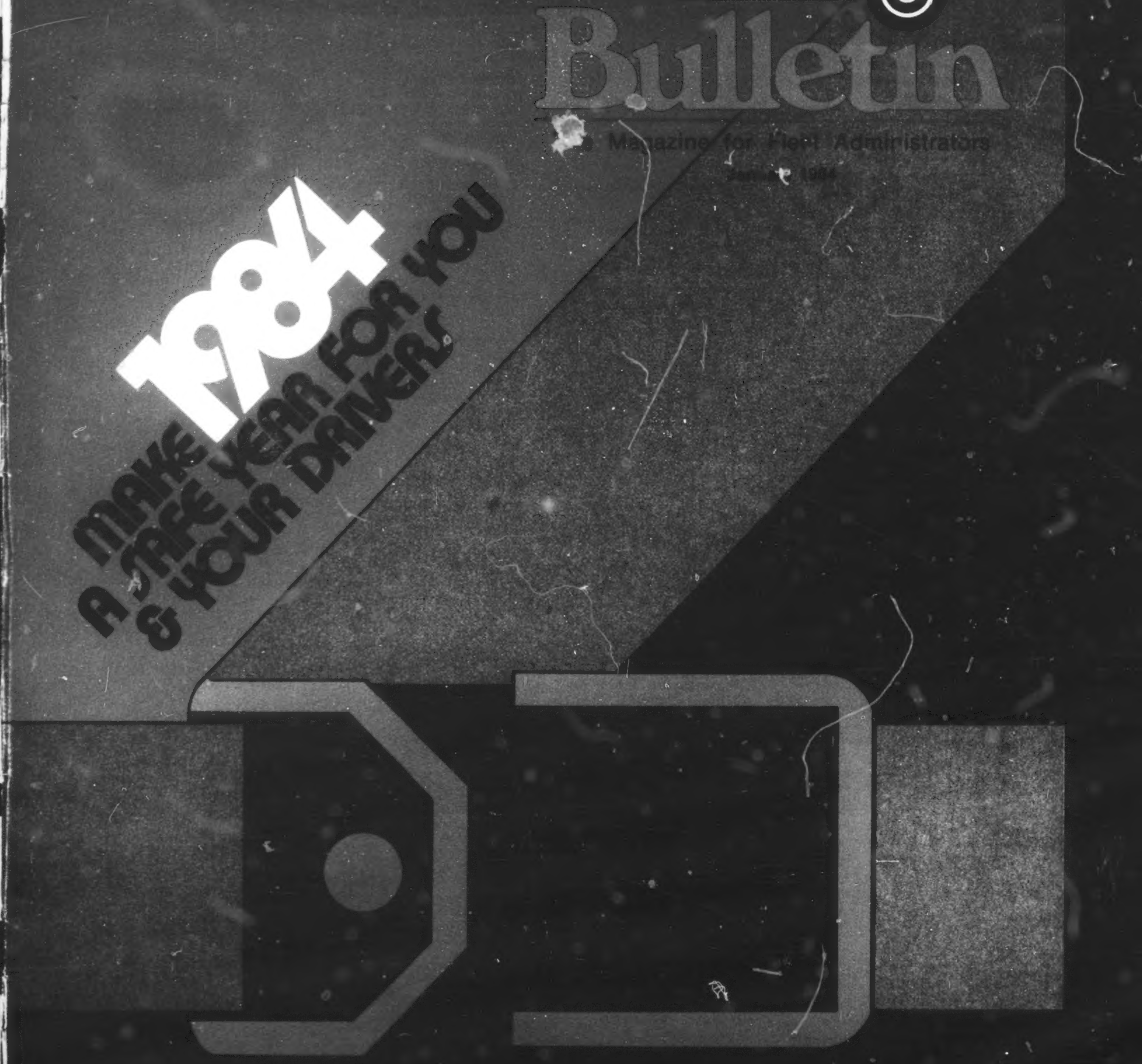
January 1984

1984 MAKE A SAFE YEAR FOR YOU & YOUR DRIVERS



news highlights

NAFA's Annual Conference in Los Angeles To Feature 3 Sets of Workshops

NAFA's 27th Annual Conference in Los Angeles, March 17-21, 1984, will be devoted to striving for new goals in fleet management. Each day of the conference will focus on one of three management themes stressing a specific aspect of management — each vital to fleet professionals. They are "New Management Concepts," (Monday); "Fleet Management Concepts," (Tuesday); and "Solving Vehicle Management Problems," (Wednesday). The wide range of topics highlighting each day's theme will be covered by experts in the field, and handled in a variety of interesting, informative formats.

General Sessions and Seminars

The official conference business sessions will begin on Monday, March 19, with the opening general session "Good Management, Its Right Structure and Processes," presented by Ichak Adizes, Ph.D., Professor of Managerial Studies, UCLA, and president, The Adizes Institute. According to Dr. Adizes, the fleet manager should be aware of how to bring about both short term and long term efficiency within his/her environment using right people, in the right structure with the right process in order to conduct good management. Dr. Adizes will answer these three management questions: "What is good management?" "What is the right structure?" and, "What are the right processes?" Dr. Adizes will also discuss the basic tasks fleet managers perform — providing a service, managing a huge asset, and managing people with whom he or she usually has had no contact with.

Sessions on Management

The concurrent sessions, "Managing with People — For Team Problem Solving," and "Understanding Your Different Management Roles," will be led by senior staff associates of the Adizes Institute, Jan E.F. Rasmussen, Associate/Phase Specialty, director of International Operations, and Efraim Turban, Ph.D. They will go into further detail by describing the different combinations of styles between people that contribute to good management.

Diane Steed, administrator of the National Highway Traffic Safety Administration (NHTSA), will deliver the keynote address at Monday's luncheon.

On Tuesday, James Johnson, legal representative, Xerox Corporation, will discuss the current legislative actions in Washington that could affect fleet operations. He will focus on changes in the definition of finance leases, allowances to fleet purchasers and IRS rules on fringe benefits.

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A completely new and innovative format has been developed for the ever-popular workshops.

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Do Seat Belts Work? 14
Most safety experts agree that about half the car occupants who die in crashes would survive if they wore seat belts. Do they work? The answer is Yes!

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Fleet Management is Complex But 'Unappreciated' Job 21
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NAFA Members Believe:

Fleet Management Is Complex But 'Unappreciated' Job

This article is based on an extremely detailed study of a random sample of members of the National Association of Fleet Administrators, Inc. It was conducted by Professors Barry M. Mitnick and Donna J. Wood of the Graduate School of Business, University of Pittsburgh. The NAFA Survey Project was funded by the NAFA Foundation. A more complete report, with additional analysis of the data collected, will be presented at the Association's 1984 annual conference in Los Angeles.

The NAFA Survey Project was begun to build on the theoretical work done last year on boundary-spanning roles and fleet managers. Fleet managers are a type of boundary-spanning personnel (BSP) (purchasing agents, sales personnel, and public relations specialists are other examples). Boundary-spanning personnel conduct the organization's relationships with components of its environment. In doing so, fleet managers act as agents of the firm, and as creators or users of agents outside the firm, in order to accomplish their tasks.

NAFA Members Represented

We chose to represent the population of American and Canadian fleet administrators and managers by the membership of the National Association of Fleet Administrators, Inc. Using NAFA's mailing list of full members, we chose every name on the list to receive the questionnaire. Out of 666 individuals in the sample, we received 200 questionnaires, or 30 percent.

The 200 respondents represented organizations ranging in size from 13 to 125,000 employees, with a median size of 3,000 employees. Private sector organizations represented 77.5 percent of the sample, with government agencies, (national, state, and local), not-for-profit agencies, and educational institutions represented among the remainder of the sample. Fleets similarly represented a wide range. The median number of automobiles was 270 (range 15 to 7,200); the median number of trucks and other vehicles was 110 (range 0 to 19,000). Organizational size as measured by last year's sales (or budget for non-profit agencies) ranged from less than $1 million to more than $5 billion, with a median figure of almost $250 million.

Respondents themselves were 76 percent male (152). Of the 191 respondents who reported nationality, 89.5 percent were located in the United States and 10.5 percent in Canada. Respondent fleet managers ranged in age from under 25 years (only two percent) to over 61 years old (8.7 percent), with a median age category (among 196 reporting) of 41-45 years. Salaries ranged from $15,000 to over $50,000, reflecting the vast array of managerial titles and positions accounting for the fleet management function in respondent organizations.

Internal and External Constituencies

A constituency of fleet management is defined as a person, group, unit or organization that can affect or is affected by the fleet manager's performance of his or her duties. The questionnaire listed 18 internal constituencies and 20 external constituencies, and asked respondents four questions about each of the constituencies:

1. How often do you interact with the constituency of fleet matters, either formally or informally (frequency of interaction)?
2. How often is the constituency a source of problems (frequency of problems)?
3. How much do you depend on the constituency? That is, how much power does it have to affect your job performance (importance)?
4. In the last 10 years, has the importance of the constituency to fleet management functions changed (change in importance)?

(Continued on page 22)

Fleet Management Is Complex Job

(Continued from page 21)

Of the 18 internal constituencies listed on the questionnaire, fleet managers reported five cases in which contacts were "frequent" or "very frequent" in 40 percent or more of the sample. These constituencies were purchasing, sales/marketing, accounting, finance/treasurer, and vehicle maintenance. Most often reported were contacts with accounting (70.3 percent). Insurance, claims, personnel, operations/production, President/CEO, and the general manager were in frequent contact with a substantial minority of respondents (23.7 to 34.1 percent). Least frequently reported were contacts with internal security, engineering, public relations/public affairs, support services, Board of Directors, government relations, and general counsel (range 1.2 to 18.5 percent).

> ***"A constituency of fleet management is defined as a person, group, unit or organization that can affect or is affected by the fleet manager's performance of his or her duties."***

When mean scores were rank ordered, the accounting department appeared as the most frequent source of trouble for fleet managers, although only 30.1 percent of respondents reported frequent or very frequent problems with accounting. In percentage terms, more fleet managers reported having difficulty with vehicle maintenance than with any other internal constituency (37.2 percent reported frequent or very frequent problems with maintenance). The only other significant inside source of trouble for respondents (28.4 percent) was the sales/marketing department. All other constituencies accounted for fewer problems relative to these three.

Internal Constituencies Rated

Over half of the respondents rated the following internal constituencies as important or very important: accounting (61.3 percent), finance/treasurer (54.5 percent), President/CEO (60.5 percent), General Manager (53.4 percent), and vehicle maintenance (64.6 percent). Government relations and public relations/public affairs were seen as having relatively little importance to fleet management functions, and other internal constituencies were rated as important by a moderate number of respondents. Interestingly, only vehicle maintenance was seen as having increased substantially in importance over the past 10 years (41.8 percent of the respondents).

It is not surprising that the external constituencies with which fleet managers are most involved are precisely those most clearly connected to vehicle sales and service. Over half the sample reported frequent or very frequent contact with a fleet leasing company (60.0 percent), auto manufacturers (52.3 percent), and auto dealers (51.8 percent). These were followed closely by contract mechanics (44.8 percent), NAFA (38.9 percent), parts vendors (36.3 percent), and insurance companies (32.8 percent). Most fleet managers report having little or no contact with public utility commissions, unions, or governmental revenue departments. An interesting finding here is that over half of respondent fleet managers reported frequent or occasional contact with federal agencies (4.9 percent and 48.6 percent, respectively). It is becoming commonplace in business education to teach students that government relations is now a generic management function, not a specialized staff function; this finding offers support for the wisdom of this approach.

Most of the external constituencies listed are occasionally sources of trouble for fleet managers, but none seems to present overwhelmingly frequent difficulties. Those constituencies with the highest frequency of contact are also those most often rated as a frequent source of problems: contract mechanics (27.2 percent), auto dealers (26.9 percent), auto manufacturers (26.4 percent), and fleet leasing companies (22.7 percent). Aside from this expected finding, a striking feature is that the National Association of Fleet Administrators, Inc., — although almost 40 percent of respondents are in frequent contact with it — was reported a frequent source of problems by only seven individuals (3.6 percent — computerized mailing list snafus, perhaps).

> ***"It is becoming commonplace in business education to teach students that government relations is now a generic management function, not a specialized staff function..."***

Over half the sample considered the following external constituencies to be important or very important to satisfactory performance of the fleet management function: auto manufacturers, auto dealers, fleet leasing companies, contract mechanics, and insurance companies. Parts vendors and NAFA are considered to be important by more than 40 percent of the respondents.

The survey is consistent in its findings of perceived changes in the importance of various external constituencies in the past 10 years and permits an inference (perhaps a hypothesis) to be made about the nature of the fleet manager's environment. Four constituencies were rated as having increased in importance over time by a large minority of respondents: fleet leasing companies (38.3 percent), NAFA (38.2 percent), auto manufac-

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Fleet Management Is Complex Job

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turers (38.1 percent), and auto dealers (29.2 percent). Contract mechanics, parts vendors, fuel suppliers, and insurance companies were not far behind, with about 20-24 percent of the sample perceiving their importance to have increased over 10 years. The significance of this finding lies in the relationship between number of constituencies and environmental complexity. If the environment of fleet management has grown more complex and more difficult to manage, perhaps it is not because new constituencies have joined the field — as is often the case with other managerial specialties — but because relations with traditional constituencies have themselves become more complicated.

Environmental Complexity

Environmental complexity is defined in terms of the number of internal and external constituencies in the fleet manager's environment, as well as the frequency of interaction with constituencies. The first set of questions allowed us to determine some of the parameters of environmental complexity for fleet managers. Another question offered a direct attitudinal check on these data by asking managers to respond to the statement, "My job as fleet manager requires me to deal with a great many outside groups and individuals in my organization's outside environment." Almost three-fourths of the total sample (149, or 74.5 percent) agreed or strongly agreed with this statement.

> ***"Seventy percent of respondents disagreed with the statement, 'Outside factors that are important to this job don't really change much...'"***

Most respondents (80.5 percent) agreed that "fleet management is a very complicated job." Respondents were evenly split on the relative importance of external and internal factors affecting their job; 36 percent agreed and 36.5 percent disagreed with the statement that "in general, my job is more strongly affected by what happens in the outside world than by what happens inside the organization." Although respondents saw their jobs and environment as complex, they did not report, on the whole, much difficulty in understanding the environment, 57.5 percent agreed that they had little trouble understanding the environment, and 55 percent of them agreed that constant demands keep the job from being as simple as it should be. A large majority of respondents (78 percent) agreed with the statement, "Fifteen years ago, the organization's external environment was much less complex than it is today."

Turbulence — a concept involving the number and rapidity of changes in the environment — is an important dimension of environmental analysis that was addressed in a number of questions. "Objective" turbulence is and will remain a theoretical construct; obviously, the environment of any manager is changing all the time and it would be difficult, if not impossible, to count accurately the number of actual changes and the speed with which they occurred. What is vitally important, however, is the manager's perceptions of environmental change (number and speed of changes) as well as the manager's perceptions of his or her ability to understand and cope with changes in the environment.

> ***"...68 percent agreed that 'fifteen years ago the organization's external environment was such that it took less expertise to manage the fleet.'"***

Seventy percent of respondents disagreed with the statement, "Outside factors that are important to this job don't really change much," and 68 percent agreed that "fifteen years ago the organization's external environment was such that it took less expertise to manage the fleet." Clearly, fleet managers perceive their environment to be quite turbulent. They are mixed, however, in their perceived ability to understand and deal with such turbulence: 43 percent agreed that "things change so fast in this work that it is hard to keep up-to-date," and 37.5 percent agreed that "the outside environment these days seems almost completely unpredictable."

Six survey questions inquired about the fleet's importance to its organization and respondents' perceptions of how highly valued and understood their function was by other organizational members. Sixty-nine percent of respondents agreed that "this organization could not survive without its fleet," indicating the vital importance of fleet management functions to organizational health. Three questions, however, indicated that fleet management is poorly understood and appreciated by others in the organization: 65 percent agreed that "most people in the organization don't realize how important the fleet is to them: "77.5 percent agreed that "most people in this organization don't realize that the fleet manager's job is a difficult one." Now, "most people" is a phrase that encompasses a lot of employees who have little or nothing to do with the fleet; it may not be surprising that "most people" in the organization do not understand or value the fleet manager's job. One would expect, however, that a senior executive would respect and highly value the fleet management function, but only 46 percent of our respondents agreed with this statement.

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Fleet Management Is Complex Job

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Three questions were aimed at discovering fleet management's relative status within the organization. These questions asked respondents to agree or disagree with these statements: "Compared to other managers in this organization with responsibilities similar to mine, my job is at a higher level, my salary is higher, I have greater access to top management." Very few fleet managers felt that their jobs were at a higher level (21.5 percent agreed) or that their salaries were higher (10.5 percent agreed). On the third question, however, fully 57.5 percent felt that they had greater access to top management than did their peers with comparable responsibilities. This result could reflect the increasing costs in the area and the increasingly problematic environment in which this important function operates.

Achieving Professional Status

There were a large number of questions asking about the degree to which fleet management has achieved professional status. Organization theorists distinguish between occupations and professions on the grounds that the latter encompasses a specialized body of knowledge, have a great deal of autonomy, subscribe to a code of ethics (or norms of service), serve as means for identifying and interacting with peers in other organizational and geographic locations, and enjoy some external recognition or certification of professional status. Overall, fleet managers reported substantial autonomy in making decisions in a variety of fleet areas and clearly indicated a perceived sense of professionalism.

One group of these questions explicitly addressed the fleet manager's autonomy within the organization by asking respondents to agree or disagree with the statement "I have a great deal of control over..." various aspects of fleet management. These results are summarized below:

Percent Agreeing	**I have a great deal of control over:**
87.0	day-to-day operating decisions regarding the fleet
84.5	decisions concerning disposal of fleet vehicles
82.5	decisions to acquire fleet vehicles
77.0	decisions concerning characteristics of fleet vehicles
75.5	major policy decisions relating to the fleet
72.5	how well the fleet is maintained
57.0	decisions about how to acquire fleet vehicles
57.0	line item budget control
51.0	determining the size of my annual budget

It is clear that the majority of respondents feel that they have considerable control over all the important categories of decisions concerning fleet management functions, but that the number of managers with such control decreases substantially in areas having to do with budgeting and capital expenditures. Overall, 66.5 percent of respondents agreed that "as things are now, I feel I have enough power to make decisions and implement them to administer the fleet effectively."

> ***"Very few fleet managers felt that their jobs were at a higher level or that their salaries were higher... however, 57.5% felt that they had greater access to top management than did their peers with comparable responsibilities."***

Over three-fourths of the sample (76 percent) agreed with the statement, "I wouldn't hesitate to call myself a professional fleet manager." Fully 91 percent agreed that fleet management has a special body of knowledge, and 76 percent agreed that fleet managers must know many things that other managers don't need to know. Seventy-two percent thought that fleet managers should have special training, but only 37 percent believed that fleet managers should be certified (43.5 percent were neutral or did not answer this question).

Norms of service (a concept with ethical connotation of having a professional responsibility to fulfill some set of obligations) were quite strong respondent fleet managers. Over 77 percent agreed that "a fleet manager's primary responsibility is to provide service to his or her employer," and 69 percent agreed that "a fleet manager's responsibility is to provide service to fleet users." Obviously, neither of these groups — employers and fleet users — are seen as having priority; norms of service apply to both almost equally.

Another group of questions requested that respondents agree or disagree with a set of statements addressing relationships between vehicle characteristics and user characteristics. Most fleet managers acknowledge that larger, more expensive automobiles with many options typically are used as rewards or perquisites of senior positions: 67 percent of respondents agreed that "in this organization, employees in higher positions are entitled to use larger, fancier, more valuable fleet vehicles." A potential source of difficulty for fleet managers is indicated in the response to two other questions: 70 percent of respondents indicated that "most users prefer larger, more powerful automobiles," but 81 percent stated that they had deliberately downsized fleet vehicles over the past 10 years.

One set of questions provided some interesting insights into relationships between options, type of use, and fleet vehicle maintenance. Respondents did not believe that users will take better care of "loaded down" vehicles — only 17.5 percent agreed with this statement. Respondents did agree (53.5 percent) that fleet users who carry important customers take better care of their cars, and a substantial minority (45 percent) noted that users who were able to choose the options they wanted tended to take better care of the vehicles. On the other hand, respondents agreed for the most part that "loaded down" vehicles (with many options) were easier to resell (66.5 percent agreed with this statement), and that such vehicles were likely to bring higher resale prices (52.5 percent agreed).

Fleet Services and Fleet Leasing Companies

As expected, wide use of fleet leasing companies was reported, with 55 percent of respondents indicating their organization had made use of a fleet leasing company within the past year. Among those who had used a fleet leasing company within the last year, 29 said their organization had used a leasing company within the past five years (14.5 percent of all respondents and 34.5 percent of those respondents answering "no" to the previous question). Thirty-two percent of the total sample (or 200) said that a conscious decision had been made not to use a fleet leasing company, and only 18 respondents felt that their organizations would use a fleet leasing company within the next year or two.

Open-ended leases are much more likely to be provided than are closed-ended ones; 77.4 percent of respondents did not participate in closed-ended leases, compared with 38.8 percent who do not participate in open-ended leases. Fleet leasing companies were less likely to have provided fleet purchasing services, open-ended leasing, fleet management services, maintenance programs, disposal services, regulatory assistance, and publications five years ago than now. Only closed-ended leases were more common five years ago.

Among those respondents using the services, the potential loss of several services was seen as posing considerable hardship. Such services included fleet purchasing, open-ended leasing, fleet management services, fleet disposal, and regulatory assistance (between 30.6 and 41.7 percent of respondents indicated that withdrawal of these services would be a considerable hardship). Fleet leasing company users tend to be satisfied, on the whole, with the services they receive. Service areas that might bear watching in the future, however, include fleet management services (16.4 percent sometimes or rarely satisfied), maintenance programs (13.2 percent sometimes or rarely satisfied), fleet disposal services (25.3 percent sometimes or rarely satisfied), and regulatory assistance (11.1 percent sometimes or rarely satisfied).

Professional Profile

A great majority (88.5 percent) of respondents had completed some college, and 54.5 percent held undergraduate degrees. Twenty percent had accomplished some graduate level work or had graduate degrees. Of the 107 college graduates, 51.4 percent earned degrees in business administration or a specialty such as accounting, marketing or finance. The other degrees ranged very broadly across liberal arts disciplines, social and physical sciences, and professional areas of study.

Education of Fleet Managers

Level	Number	Percent
High School	23	11.5
Some College	68	34.0
College Graduate	65	32.5
Some Graduate Work	19	9.5
Graduate Degree	23	11.5
No Response	2	1.0

As expected there is no standard organizational location for the fleet management function. Our respondents reported being located in a wide variety of departments or organization units. Almost 20 percent said fleet management was located within the general manager's purview, and from there the responses were quite widely dispersed.

Two-thirds of the respondents are full-time fleet managers with no substantial responsibilities in non-fleet related areas. Among the one-third who have other major duties, many are involved with budget and credit card administration, and a smaller proportion are responsible for physical plant maintenance, janitorial services, travel and moving arrangements, printing, and insurance. Only 12 respondents indicated that secretarial services were among their primary responsibilities.

Conclusion

This report details a number of characteristics of respondent fleet managers and the environment within which they must operate. Although no definitive statements can be made about the nature of fleet management or its environment on the basis of frequency distributions, several interesting findings have emerged from this portion of the NAFA Survey Project.

A striking finding is that the fleet management environment, described by respondents as seeming very complex (and much more complex than it used to be), does not have many constituencies in it. Out of our list of 38 internal and external constituencies, respondents focused on no more than a dozen in terms of frequency of interaction, frequency of problems, and importance to the fleet management function. This suggests, perhaps, that the environmental configurations of fleet management have become more complicated not because new constituencies are added to the field, but because relations among constituencies have themselves grown more complex.

Another significant finding is that respondent fleet managers exhibit a high degree of professionalism. They believe strongly that there is a special

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body of knowledge associated with managing a fleet, and that special training is required to accomplish these tasks effectively. Although they are not yet sure that certification is a good idea, they display quite strongly all the other characteristics of a genuine profession. And yet, within their organizations, they tend to feel misunderstood and unappreciated, although they believe that they have a great deal of control over the various elements of their jobs.

Fleet-Related Services

The results concerning the use of fleet leasing companies and the provision of various fleet-related services are merely suggestive, but they do point to the function of fleet managers as boundary-spanning personnel who create other agents to act on behalf of their organizations. The dimensions of this process are as yet unclear and will bear further study.

Fleet Managers Tend To Be Mature, Well-Educated People

Personally, fleet managers tend to be mature, well-educated individuals who take their jobs seriously and who keep in touch with each other and with important new knowledge in their field. These findings speak well of the profession and its practitioners, suggesting that most organizations (at least among our respondents) have placed the important fleet management function in capable hands. ■

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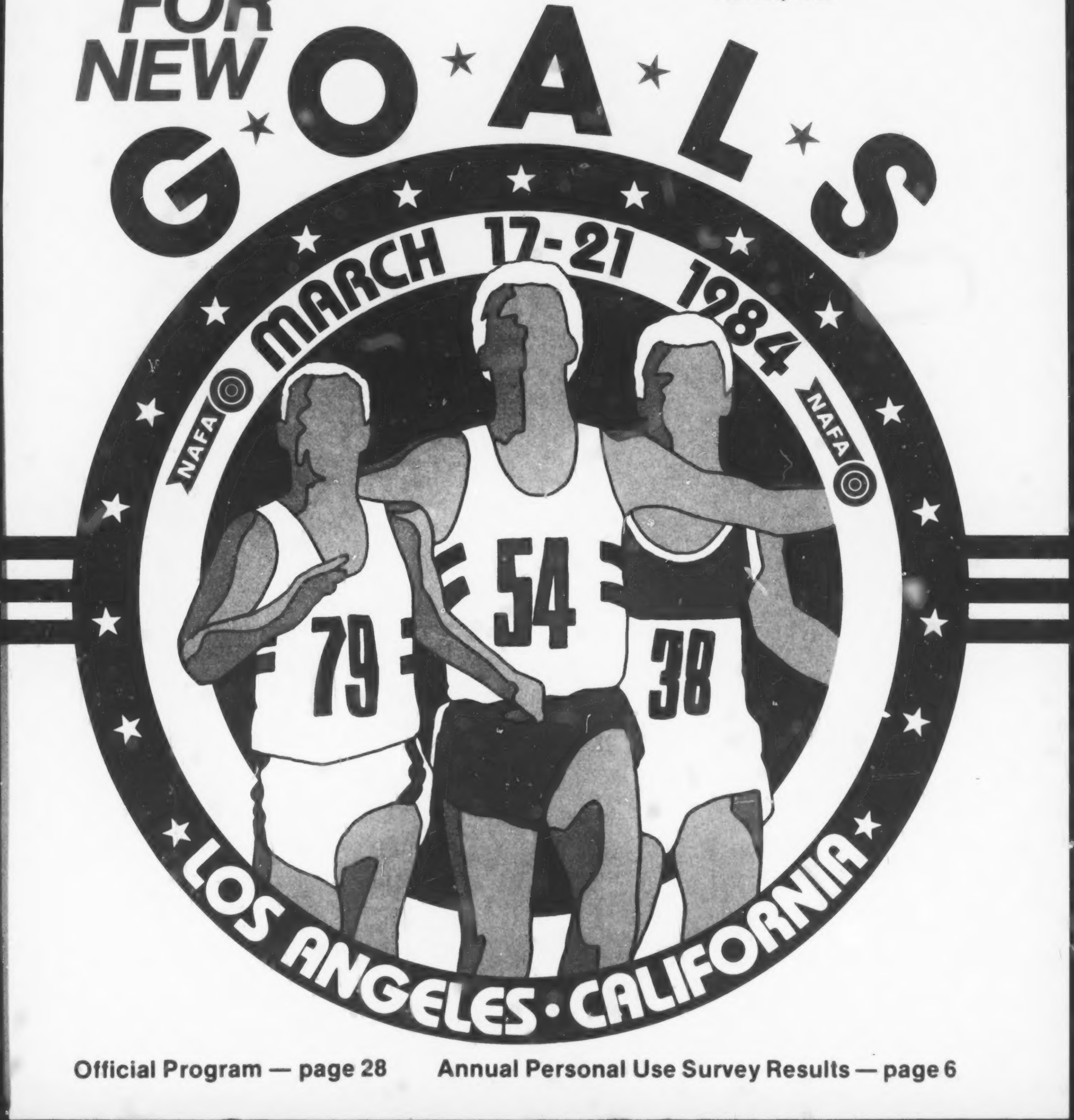
The Magazine for Fleet Administrators

February 1984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news highlights

NAFA's Workshop Moderators Will Lead Lively Sessions at L.A. Conference

A completely new and innovative format has been developed for the ever-popular workshops — long a tradition at NAFA conferences. There will be three sets of workshops with a different moderator and/or speaker for each one.

Industry Workshops Remain A Popular Tradition

On Monday, March 19, at 3:15 p.m., there will be the traditional industry workshops where you will share information within your business area. The moderators for these workshops are:

Chemical
George Argueta
Coordinator - Automotive Fleet
Celanese Corp.

Cosmetics
Betty Linck
Fleet Administrator
Chesebrough-Pond's Inc.

Drugs
Steve Schultz
Fleet Administrator
Merrell Dow Pharmaceutical Inc.

Food & Beverage
Pat Rishell
Auto Fleet Administrator
Safeway Stores Inc.

Government
Michael Rosenberger
Fleet Manager
City of Portland, Oregon

Insurance
Don Rittenhouse
Fleet Administrator
Home Insurance Co.

Manufacturing/Consumer
Wayne Grows
Fleet Manager
Northern Telecom Inc.

Manufacturing/Industrial
Raymond Sweaney
Dir., Corporate Transportation
Parker Hannifin Corp.

Petroleum
George Denick
Supervisor Transportation
Texaco Inc.

Public Utility
Robert E. Davis
Manager, Automotive Fleet
Consolidated Gas Supply Co.

Specialized Workshops

On Tuesday, March 20, at 3:15 p.m., there will be workshops categorized by the size of your fleet and/or your fleet specialty. This will provide you with the opportunity to meet with other fleet managers with the same size fleet as yours, ranging from very small fleets of less than 100 units to those of several thousand vehicles. Or you may attend one of three special workshops with other fleet managers who have a special concern for Canadian fleets, international fleets, or truck fleets. The moderators for these workshops are:

Fleet Size
Under 100
Ken Austin
Manager, Administrative Services
GD Searle & Co. of Canada Ltd.

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Commission on Drunk Driving Urges Drinking Age to be Set at 21 52
As a result of evidence of a direct correlation between the minimum drinking age and alcohol-related crashes, the Presidential Commission on Drunk Driving has proposed legislation that would cut off federal highway aid to any state that does not set a minimum drinking age of 21.

Personal Use Survey

A total of 401 fleets containing 272,651 passenger cars participated in NAFA's annual Personal Use Survey. Among the responses were 307 from U.S. commercial fleets, 18 public utility fleets, and 24 government fleets. The Canadian segment of the survey consists of 52 fleets.

While the survey is known as the Personal Use Survey, it actually requests information on four fleet management areas: 1) personal use of company-provided vehicles; 2) criteria for assignment of company cars; 3) reimbursement for use of personally owned cars for business, and 4) compensation or sale of cars to employees who no longer qualify for a company-provided vehicle. Each of the four subjects is covered within the individual industry grouping.

NAFA Exclusive

Insurance Group

The Insurance Group consists of 66 fleets operating 47,568 passenger cars (31,326 company-owned, 16,242 leased).

1) Personal Use Policies

Sixty-four fleets in the group permit personal use of the company-provided car; two prohibit such use. Of the 64 fleets that permit personal use, two do not permit the car to be driven on vacations, and eight fleets place some restrictions on the amount of personal use permitted.

Sixty fleets in the Insurance Group charge for personal use of the company car, while four do not have a chargeback. Of the fleets charging for personal use, 25 base the charge on mileage only; 28 fleets have a flat monthly or weekly charge, while 7 fleets use a combination of both mileage and flat chargeback.

Among the fleets with a mileage charge, five charge 10 cents a mile; three charge 14 cents a mile, and two each charge 15 and 20 cents a mile. Other mileage charges (in one fleet each) range from a low of 5 cents a mile to 18 cents a mile). One fleet reports it charges 10 percent of all fuel purchased.

The most common rate among fleets with a flat monthly or weekly chargeback is $40 a month (in 7 fleets). Five fleets charge $30 a month; three charge $35 a month, and two charge $60 a month. Other rates mentioned include $79 a month, $25 a month, $60 a month, $50 and $54 a month. One fleet said the charge was $520 a year. Weekly charges include $16 and $20 a week.

A number of fleets with a combination of both flat and mileage charges base the mileage charge on a specific number of miles driven. For example, one fleet charges $50 a month plus 10 cents a mile over 500 miles a month. Another charges $50 a month and 12 cents a mile over 600 miles a month. Another fleet, with a $50 a month flat charge, adds a 14 cents a mile charge for all trips over 400 miles. Two fleets charge $35 a month plus the cost of gasoline on vacation travel.

Thirty-five fleets collect the personal use chargeback through an expense report deduction; 21 fleets deduct the personal use charge from the employee's salary, while five fleets either collect by personal check or add the personal use charge to the employee's W-2 form as additional income.

Three fleets in the Insurance Group restrict personal use of the company-provided vehicle to the employee only. The other 61 fleets permit the employee's spouse to use the car. In addition, 33 fleets permit "licensed children" to drive the car. Nine fleets permit "others," usually

Survey Highlights

- More than 70 percent of all U.S. fleets reimburse employees 20 cents a mile for the use of personal cars on business.
- Nearly 70 percent of the U.S. fleets using mileage as the measure of personal use chargebacks now charge more than 10 cents a mile.
- The number of fleets requiring employees to pay at least a portion of repair costs resulting from accidents during personal use is steadily increasing.
- More fleets than ever before are collecting personal use chargebacks through a salary deduction program.

More than 70 percent of all U.S. Fleets Reimburse Employees 20¢ a mile For the Use of Personal Cars On Business

defined as living in the same household, to use the car.

Seventeen fleets set a minimum age limit for use of the company car. The most commonly cited age is 21 (six fleets). Three fleets set the minimum age at 18, while two each put it at 16 and 25 years of age. One fleet has a 19 year requirement.

Eighteen fleets in the group require the employee to pay a certain percentage of repair costs resulting from accidents during personal use. Among those fleets with a set dollar amount, in five fleets it was $100; in two fleets it was $50. Eight fleets based the repayment on the insurance deductible ranging from $100 to $250. No fleet in the group requires the employee to pay the full cost of repairs.

2) Assignment of Company Cars

While most fleets participating in the survey said "job title" or "job responsibility" is the basic factor in assignment of a company car, 38 fleets said business mileage driven is also a factor. The most often mentioned mileage was 12,000 miles a year (eight fleets). Five fleets set a minimum of 15,000 miles a year; three put the required mileage at 20,000, while two each said it is 6,000 and 18,000 miles. Other mileage requirements mentioned included 8,750, 8,500, 7,500, 14,400, and 30,000. One fleet reported that the mileage varies; it depends on the size of car the employee qualified for — 10,000 for a compact, 13,000 for a mid-size, and 16,000 for a full-size car.

Several fleets base company car assignment on a time basis. One required its use three days a week; another 50 percent of the time. One fleet said a car is provided when the employee is out of the office 70 percent of the time, and another said it depends on "response time and/or on-call use."

Thirteen fleets in the group said the "fringe benefit" value of the car is a factor in its assignment to an employee.

3) Business Use of Personal Cars

In reimbursing employees for business use of a personally owned car, the survey covers two areas — when there is no assigned fleet car and when the assigned fleet car is not in use.

Most fleets in the group reimburse the employee on a straight mileage basis when he or she does not have an assigned company car. Twenty cents a mile is by far the most often cited figure — in 63 percent of the fleets using a mileage reimbursement. Four fleets each pay 19 and 21 cents a mile. Other amounts mentioned by two fleets each were 20.5 and 17 cents. One fleet each said they reimbursed the employee from a low of 12 cents to a high of 25 cents a mile.

Other methods of reimbursement included "Runzheimer schedule" by two fleets; 20 cents a mile for 600 miles, then 15 cents; 20.5 cents for 15,000 miles, then 11.5 cents; 15 cents a mile over 1,000 miles plus $400 a month, and nine cents a mile plus $200 a month.

Reimbursement for use of a personal car when the assigned fleet car is not in service again is primarily based on mileage. In this category, too, the rate preferred is 20 cents a mile by more than two-thirds of the fleets. Five fleets pay 21 cents a mile; three pay 19 cents, and two each pay 14 and 20.5 cents a mile. The lowest amount mentioned was 14 cents a mile; the highest 26 cents a mile. One fleet pays the IRS approved amount of 20.5 cents for the first 15,000 miles, then 11 cents a mile, while one fleet pays a flat $150 a month.

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Personal Use Survey Results

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4) Compensation for Loss of Car

Thirty-seven fleets in the Insurance Group reported the employee either gets a cash payment or is able to purchase the assigned fleet car if the employee is no longer eligible to have a company-provided vehicle.

Five fleets made a cash payment of $1,500; four each gave the employee $1,000 and $2,000. Two fleets each made a payment of $1,600, $1,800, and $2,500. The highest payment reported was $3,000. One fleet permits the employee to drive the car "until the lease runs out;" another extends car use from six to 12 months.

Among those fleets that offer to sell the car to the employee, most set the price on AMR or a percentage of it, or on the wholesale value. Others said the price is "book value or AMR, whichever is less." Several fleets offer the employee an interest free loan with which to purchase the car.

Drug & Cosmetics Group

The Drug & Cosmetics Group consists of 45 fleets operating 32,974 passenger cars (3,251 company-owned, 29,723 leased).

1) Personal Use Policies

Every fleet in the group permits personal use of company-provided vehicle after working hours, on weekends and holidays, and for vacation travel. Three fleets place some limitations on the extent of personal use, generally in regard to the length of vacation trips.

Forty-two of the 45 fleets in the group charge for personal use; three do not. Of the fleets that assess a personal use charge, 17 base it on mileage; 18 have a flat monthly or weekly rate, and six use a combination of both methods.

Among the fleets using a mileage charge, six fleets have fixed it at 12 cents a mile; three set the charge at 13 cents a mile, while two have a nine cents a mile rate. Other rates range from a low of seven cents for everything over 350 miles a month to a high of 15 cents a mile. One fleet charges 11 cents a mile for the first 400 miles, then 20 cents for each additional mile. One other fleet charges nine cents a mile for personal use of a compact and 13 cents for personal driving of a mid-size car.

Reimbursement For Use Of Personal Car
Mileage Only
(No Assigned Fleet Car)
U.S. Commercial Fleets Only

Amount	1980	1981	1982	1983
15¢ or less	3%	1%	2%	2%
16, 17, 18, 19¢	43%	13%	15%	11%
20¢	43%	68%	69%	72%
21, 22, 23, 24¢	11%*	17%*	10%	12%
25¢ or more	*	*	4%	3%

Note: *Not broken out in surveys for those years, but included in "more than 20 cents a mile" total.

Reimbursement For Use Of Personal Car
Mileage Only
(Assigned Fleet Car Not in Service)
U.S. Commercial Fleets Only

Amount	1980	1981	1982	1983
15¢ or less	4%	3%	5%	2%
16, 17, 18, 19¢	41%	15%	13%	9%
20¢	43%	66%	68%	73%
21, 22, 23, 24¢	11%*	17%*	11%	14%
25¢ or more	*	*	3%	3%

Note: *Not broken out in surveys for those years, but included in "more than 20 cents a mile" total.

The range of flat rates charged by the fleets in the group varies widely. Three fleets charge $15 a month; two charge $40 a month. Other rates vary from a low of $12 a month to a high of $60 a month. One fleet reports that it charges $25 a month when driving a four-cylinder car and $35 a month for a larger car.

Those fleets using a combination of mileage and flat rates for personal use reported these chargebacks: two fleets set the rate at $15 a month plus seven cents a mile; another reported the rate to be $26 a month plus six cents a mile. One fleet said its rate is $10 a month plus eight cents a mile. Two fleets have a minimum flat rate plus a mileage charge for additional miles. In one fleet it is $15 a month and six cents a mile after 250 personal miles; in the other the rate is $25 a month plus 10 cents a mile over 250 miles.

Twenty-five fleets in the Drug & Cosmetics Group reports they collect for personal use through an expense report deduction; 14 collect through a salary deduction plan, and three fleets say they use other methods, generally by adding the personal use charge to the employee's W-2 form.

Every fleet in the group permits the employee's spouse to use the company car; 27 extend the driving privilege to licensed children, and seven permit "others," generally meaning persons living in the same household, to drive the company car.

Nineteen fleets in the group have specific minimum age limits for use of the car. In ten fleets the minimum age is 21; in four it is 18. Two fleets said the minimum is 25, and one fleet said its policy is "no teenagers."

Twenty-one fleets report that the employee is required to pay at least a portion of the repair costs

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Personal Use Survey Results

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resulting from an accident during personal use. One fleet charges the full amount; one other has the employee pay a "fixed share" — $500 or 25 percent of the cost, whichever is lower.

Sixteen fleets charge the employee a dollar amount. In five fleets it is $200; in five others it is $100. Three fleets required the employee to pay the insurance deductible.

2) Assignment of Company Cars

In reporting on criteria for company car assignment, the majority of fleets in the group said "job title" was the key factor, but a substantial number included the amount of business mileage driven as another factor. Five fleets set the minimum mileage at 12,000 miles a year; three fleets set it at 10,000 miles, while two place it at 18,000. Other limits mentioned were 15,000; 15,500; 20,000, and 25,000. Seven fleets in the group, in response to this question, said "fringe benefit" was a factor in company car assignment.

3) Business Use of Personal Cars

When reimbursing an employee for the business use of a personal car, every fleet in the group relies on a straight mileage payment. When there is no assigned fleet car, 25 fleets pay 20 cents a mile; two pay 19 cents. One each pays the employee 17, 20.5 25, and 35 cents a mile.

In those instances when the assigned fleet car is not serviceable, 33 fleets in the group said they pay the employee 20 cents a mile for the use of a personally owned car. Three fleets pay 19 cents; two pay 20.5 cents a mile. One fleet each pays 18¼, 25, and 28 cents a mile.

4) Compensation for Loss of Car

Thirty-one fleets in the Drug & Cosmetics Group reported that the company provides some form of compensation or offered to sell the fleet car to an employee who no longer qualifies for a fleet assigned vehicle.

Personal Use Chargebacks
For Fleets Using A Straight Mileage Charge
U.S. Commercial Fleets Only

Amount	1980	1981	1982	1983
7¢ or less	14%	2%	3%	3%
8, 9 or 10¢	44%	43%	45%	28%
11, 12, 13, 14¢	42%	55%	51%	43%
15¢ or more	*	*	*	26%

Note: *Not broken out in previous surveys, but included in the more than 10 cents a mile category.

Among those fleets providing additional compensation for loss of the car, three give the employee $5,000; two give $2,800, two give $2,500, and two others give the employee $6,140. Other payments mentioned include $3,200, one-half the value of a new car, the average value of cars in the fleet, and 50 percent of the annual operating cost of the car. In one case, the car is "given to the employee."

Among those fleets which permit the employee to buy the car, six fleets set the price at the wholesale value; three used the "book value" as the price, while seven fleets offered to sell the car at "AMR." Other formulas mentioned are "$1,000 below wholesale;" "market price," and "80 percent of wholesale."

One of the more interesting approaches to the sale of the car came from a fleet that reported it set the price at Red Book wholesale. The employee is given an initial pretax payment of $1,400 and $100 a month for 24 months. If the employee chooses to retain the car for 24 months, the employee is charged the income tax on the leased car cost to the company.

Manufacturing-Consumer Group

The Manufacturing-Consumer segment of the survey consists of 53 fleets operating 32,550 passenger cars (14,017 company-owned, 18,533 leased).

1) Personal Use Policies

All but one fleet in the group permit personal use of the company-provided vehicle. One fleet does not permit the company car to be used for vacation travel. In addition, six fleets in the group place some limitations on personal use. In the majority of cases, it concerns extensive vacation driving.

Forty-seven of the 52 fleets permitting personal use charge the employee for such use. Seventeen fleets base their charge on mileage driven; 21 assess a flat weekly or monthly charge, while seven use a combination of both methods.

Four fleets each charge 10 and 12 cents a mile; two each charge the employee 9, 14, and 15 cents a mile. One fleet charges 20 cents a mile; another 13. One fleet charges 7.5 cents for employees driving compacts and 10 cents for larger cars. Another fleet charges 13 cents a mile and adds seven cents a mile to the employee's W-2 form as additional income.

Among the fleets with a flat rate, four charge $35 a month; three charge $40 a month; two each charge $50 a month and $8 a week. Other monthly charges range from a low of $5 to a high of $75. Weekly charges include (each by one fleet) $11, $15, and $20.

Twenty-three fleets collect the personal use chargeback through an expense report deduction; 21 have a salary deduction program, while three have other methods of collecting the personal use charge.

Five fleets in the Manufacturing-Consumer

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Personal Use Survey Results

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Group limit personal use of the company car to the employee only. All others permit the spouse to drive the vehicle, and 30 fleets extend personal use privileges to licensed children, and seven permit the car to be used by "others" in the same household.

Twenty-three fleets in the group have minimum age requirements for driving privileges. In nine fleets the minimum age is 18; in seven fleets it is 21, and in five fleets the minimum is 25 years of age. One fleet each sets the minimum at 19 and "past their teens."

Twenty-five fleets in the group require the employee to pay at least a portion of repair costs resulting from an accident incurred during personal use of the company car. In two fleets it is the full amount. Four fleets charge the first $250, and one fleet sets the payment at 50 percent of the repair cost. Ten fleets charge the employee the insurance deductible, while another charges 50 percent of the repair cost after the first accident, then the full cost for a second.

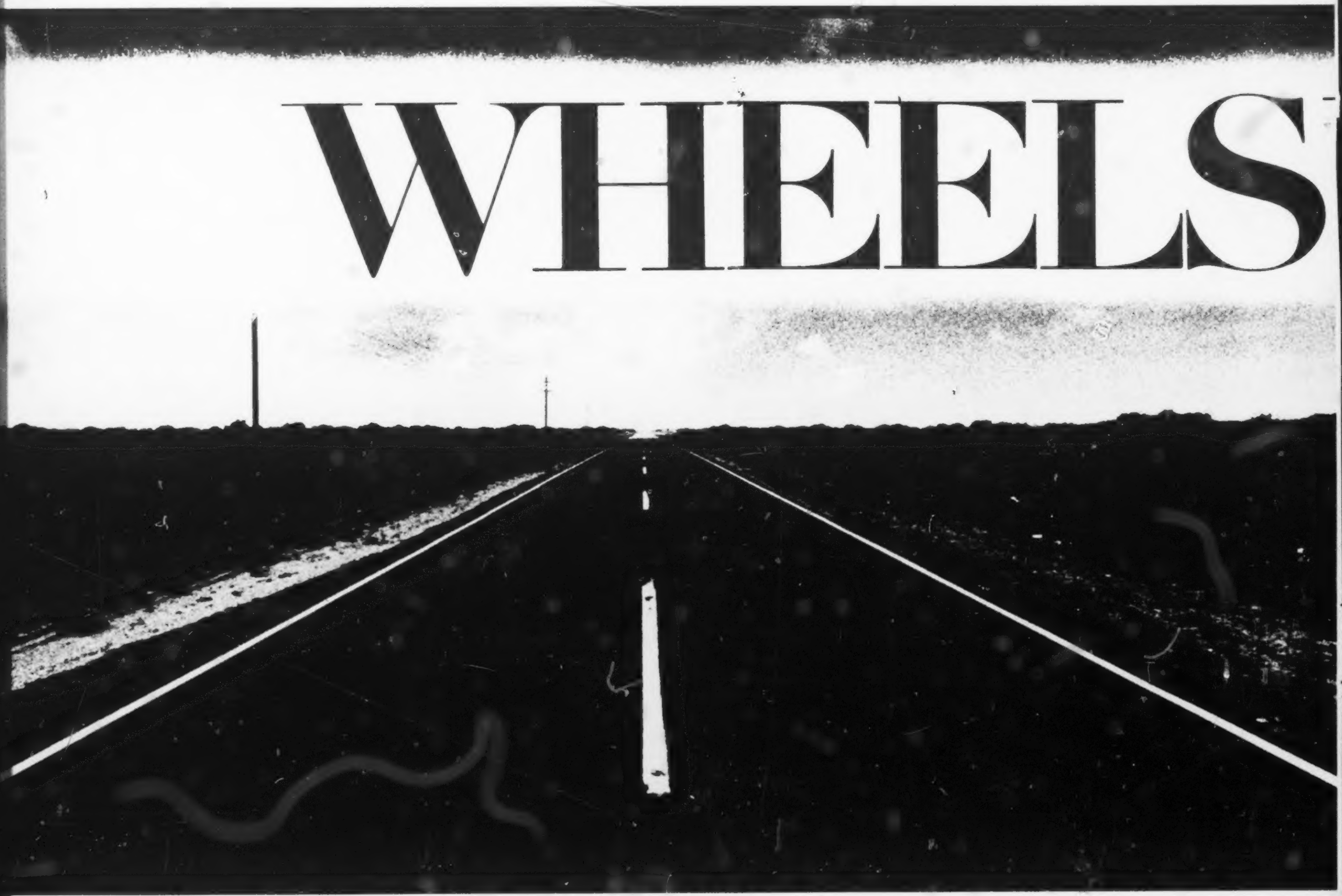
2) Assignment of Company Cars

The question of criteria for assignment of company cars invariably draws more than one response. The majority of fleets always mention "job title" but a large percentage also mention business mileage driven. In this group the minimum mileage requirements include 15,000 (four fleets), 12,000 (four fleets), 20,000 (two fleets). Other figures cited ranged from a low of 5,000 business miles to a high of 26,000. One fleet said the requirement was for the employee to spend 50 percent of the time on the road.

Nineteen fleets in the Manufacturing-Consumer Group said that "fringe benefit" is a factor in determining eligibility for a company-provided car.

3) Business Use of Personal Cars

In reimbursing employees for business use when there is no assigned fleet car, 33 fleets pay the employee 20 cents a mile. Two pay 22 cents a mile



and one each pays 15, 18.5, and 22.5 cents a mile. One fleet pays "gas, oil and insurance," another pays $35 a week. One fleet pays the driver $228 a month, while one pays 20.5 cents a mile for the first 1,250 miles driven during the month and 11 cents a mile for additional mileage.

In those cases where a personal car is required for business because the company car is not operable, 37 fleets pay the driver 20 cents a mile, and one fleet each reimburses at 15 cents, 18.5 cents, 22, and 22½ cents a mile. One fleet pays seven cents a mile and $35 a week; another a flat $35 a week, while one fleet reimburses the employee at 20½ cents a mile for the first 1,250 miles and at 11 cents a mile thereafter.

4) Compensation for Loss of Car

Twenty-one fleets in the group reported they compensated employees, either in the form of cash payments or sale of the car, if he or she was no longer eligible for a company car. Among the payments mentioned were $5,000 (two fleets); one year's operating expenses; the AMR price of a one-year-old car; $5,500, $6,200, $2,000 less deductions, and $1,500 (one fleet each).

Six fleets said they will sell it at "book value." Three said they will sell it at "fair market value," while five use AMR or a percentage of AMR as the basis for determining the price. Other prices mentioned (each by one fleet) included wholesale less $500; low wholesale, $500 over book value, lease balance.

Food & Beverage Group

The Food & Beverage Group consists of 27 fleets operating 14,691 passenger cars (10,409 company-owned, 4,282 leased).

1) Personal Use Policies

All 27 fleets in the group permit personal use of the company-provided vehicle after working hours, on weekends and holidays. Two fleets do not permit its use for vacation travel. Two other fleets place limitations on the car's use for personal driving.

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Personal Use Survey Results

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All but three of the fleets in the Food & Beverage Group charge their employees for personal use. Eight fleets base their charge on mileage driven; eight have a flat monthly or weekly charge, while eight use a combination of both methods. Three fleets charge 10 cents a mile; one each charges 7 cents a mile after the first 50 miles; 15 cents a mile, and nine cents a mile.

The combination charges include 10 cents a mile and $51 a month; 10 cents a mile plus $20 a month; 10 cents a mile and $4 a week; 12 cents a mile and $7.50 a week; 23 cents a mile and $45 a month, and $25 a month plus vacation mileage.

Three fleets with a flat rate charges their employees $50 a month. One each charges $19 a week; $24, $30, and $46 a month.

Ten fleets in the group collect the personal use chargeback through an expense report deduction while another 10 have a salary deduction plan, and four use other methods including payment by personal check and addition of the personal use charge to the employee's W-2 form.

Every fleet in the group permits the employee's spouse to drive the company car, 18 extend the driving privilege to licensed children, and five fleets allow "others," in the same household to use the car.

Thirteen fleets in the group have set minimum age limits for personal use. In six fleets the minimum age is 21; in three it is 18; in two fleets it is 25, while one fleet permits personal use at 16, if the state issues a license at that age.

Nine fleets in the group assess a charge against the employee for some portion of the repair costs for accidents incurred during personal use. In two fleets it is a dollar amount — $50 and $100. In the other seven fleets it is the insurance deductible, ranging from $100 in two fleets to $250 in three fleets. One fleet reported charging from $50 to $500 toward repair costs.

2) Assignment of Company Cars

Twelve fleets in the group said mileage is a factor in assignment of company cars, while 22 said job title or duties is a factor. Only three fleets said that "fringe benefit" is a consideration in car assignment.

In setting a minimum business mileage for eligibility, two fleets each said it is 10,000; 12,000; 15,000, and 17,500 miles per year. One fleet sets the minimum at 18,000 miles. One fleet said the requirement is to spend 50 percent or more time on the road, while another places the minimum at 65 percent of the employee's time traveling.

3) Business Use of Personal Cars

In those cases where an employee without a company car had to drive a personal car for business, 13 fleets reimbursed the employee at 20 cents a mile. Five pay 20.5 cents a mile. Two pay 21 cents a mile, while one each pays 12, 16, 17.5, 18, and 23 cents a mile. Two fleets employed a graduated scale for reimbursement. In one fleet it is 20 cents for the first 12,000 miles and 18 cents a mile thereafter; in the other fleet the rate is 21 cents for the first 1,500 miles a month and 10 cents a mile for additional mileage.

When the assigned fleet car is not in service, every fleet in the group reimburses its employees for use of a personally owned car on a mileage basis. In 13 fleets it is 20 cents a mile. Five fleets pay 20.5 cents a mile; three pay 21 cents a mile, while one each pays 12, 16, 17.5, 18, and 23 cents a mile.

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Summary of Survey Responses

Industry Group	Number of Fleets	Company Owned Cars	Leased Cars	Total
Insurance	66	31,326	16,242	47,568
Manufacturing-Consumer	53	14,017	18,533	32,550
Food & Beverage	27	10,409	4,282	14,691
Manufacturing-Industrial	63	9,764	41,443	51,207
Chemical & Petroleum	29	14,959	18,601	33,560
Drug & Cosmetics	45	3,251	29,723	32,974
Other	24	1,043	5,711	6,754
U.S. Commercial Total	307	84,769	134,535	219,304
Public Utility	18	20,203	4,763	24,966
Government	24	17,983	84	18,067
Canada	52	4,502	5,812	10,314
Total in Survey	401	127,457	145,194	272,651

Personal Use Survey Results

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4) Compensation for Loss of Car

Fifteen fleets report that an employee who no longer qualifies for a company car receives cash compensation or is given an opportunity to purchase the vehicle he has been driving. Three fleets said they pay the employee $4,000 less taxes; one pays two months salary up to a $6,000 maximum. One fleet reports that an employee with 15 years of service is given the car.

In offering to sell the car to the employee, six fleets said they will sell it at wholesale; two price the vehicle at book value. One fleet asks 95 percent of AMR "clean," while another sells the car at "market value."

Manufacturing-Industrial Group

The Manufacturing-Industrial Group consists of 63 fleets operating 51,207 passenger cars (9,764 company-owned and 41,443 leased).

1) Personal Use Policies

All but one fleet in the Manufacturing-Industrial Group permit personal use of the company car after hours. One fleet does not permit its use on weekends or holidays, and five fleets do not allow the company car to be used for vacation travel. In addition, five fleets place some limitations on the amount of personal use permitted, usually mileage during vacations or distance from the employee's home.

Fourteen fleets in the group do not charge for personal use of the company vehicle, while 48 do have a chargeback program. Eleven fleets base their personal use chargeback on mileage driven; 26 have a flat monthly or weekly charge, and 10 use a combination of both methods.

Among the fleets employing a straight mileage chargeback, two each charge 8 and 11 cents a mile. One fleet each charges 10, 12, 15, 16, and 20 cents a mile. One fleet reports it charges 8, 10, or 12 cents a mile depending on the car's engine size, while another said it had a "variable charge based on type of car driven."

The personal use chargebacks in those fleets with a flat monthly or weekly rate vary widely. Among the weekly charges reported is $25 by three fleets; $10 by two fleets, and $13, $15, and $18 by one fleet each. Another fleet charges $18.50 bi-weekly.

Among the monthly rates were $45 and $50 by three fleets each; $35 and $54 a month by two fleets each. Other rates mentioned by one fleet each were $20, $25 to $27.50, $30, $40, $75, $76 to $80, and $100 to $125.

No two fleets in the group have the same combination mileage and flat rate chargeback. Some of the rates quoted are $3.85 a week plus 11 cents a mile; $20 a month plus nine cents a mile; $50 a month and seven cents a mile; $48 a month and 11 cents a mile. Several fleets have a flat monthly charge plus a mileage charge over a certain number of miles. One fleet said its rate is $30 a month plus 20 cents a mile after 150 miles in a month. Another fleet has a minimum charge of $12 a week and charges 16 cents a mile after 75 miles are driven. One fleet has a minimum charge of $40 a month and 10 cents a mile after 400 miles of personal driving.

Twenty-one fleets in the group collect the personal mileage chargeback through an expense report deduction; 20 fleets have a salary deduction program, and seven fleets use other methods, among them adding the charge to the employee's income.

Two fleets in the group permit only the employee to drive the company-provided car. The other 60 fleets in the group allow the employee's spouse to use the car, and 35 fleets allow personal use of the car to licensed children. Fourteen fleets extend the driving privilege to "others," usually defined as individuals living in the employee's household.

Twenty-five fleets in the Manufacturing-Industrial Group have established minimum age limits on use of the company car. In 10 fleets the minimum age is 21; in five it is 18; in four it is 25, and in one fleet the minimum age is 16.

Twenty-nine fleets require the employee to pay at least a portion of repair costs resulting from an accident that occurs during personal use. In one fleet it is the full amount. Eleven fleets assess the driver $100, and two fleets charge $200. One fleet reports it has a sliding scale starting at $100, but if there is a fourth accident the employee is fired. Fifteen fleets use the insurance deductible as the basis for charging repair costs. In four fleets each it is $100 and $250. Two fleets have sliding scales starting at $100 and going up to $500.

2) Fleet Car Assignment

Thirty-two fleets in the group have established a minimum number of business miles as one criterion for company car assignment. In eight fleets each the mileage is 10,000 and 15,000 miles a year. In four fleets the requirement is 18,000 business miles. In other fleets the mileage requirement ranges from a low of 6,000 miles to a high of 30,000 miles. Other requirements mentioned include one year with the company and management approval, location, and time on the job.

3) Business Use of Personal Cars

In compensating employees for use of a personally-owned car when there is no assigned company car, 30 fleets in the group pay 20 cents a mile. Three pay 18 cents a mile; while two each pay 18.5 and 30 cents a mile. One fleet each pays 17, 18.5, 19, 22, 23, 26, and 30 cents a mile.

Four fleets said they reimburse their employees on a "Runzheimer schedule." Other graduated scales include 20 cents for the first 20,000 miles,

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Personal Use Survey Results

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then 11 cents; 8.5 cents a mile plus $180 a month; 20 cents a mile for the first 15,000 miles, then 11 cents; 20.5 cents plus $100 a month; $180 a month and 8 cents a mile; 10 cents a mile and $50 a week; 20 cents a mile for the first 1,000 miles, then 12 cents; 20 cents for the first 1,500 miles, then 11 cents; 20 cents for the first 200 miles a week, then 15 cents, and 21 cents a mile for the first 2,000 miles, then 11 cents a mile.

When an assigned fleet car is not in service, the reimbursement rate is almost always based on mileage alone. In 37 fleets the rate is 20 cents a mile. Three fleets pay 18 cents a mile; and two pay 18.5 cents a mile. Other reimbursement rates mentioned by one fleet each includes 8.3 cents, 12, 17, 19, 21, 22, 23, and 25 cents a mile. Two fleets use a sliding scale for reimbursement — 20 cents a mile for the first 1,000 miles then 15 cents; 20 cents for the first 200 miles, then 15 cents. One fleet pays 10 cents a mile and $50 a week, and another said it uses a "Runzheimer schedule."

4) Compensation for Loss of Car

Twenty-nine fleets in the Manufacturing-Industrial Group said an employee who loses eligibility for a company car is compensated with a one time cash payment or with an opportunity to purchase the car. Among the one-time payments reported were $11,561 less taxes; one-third the cost of the car; $2,000; $2,500; $4,500, $5,000, and $6,000. One fleet said the employee is given a $6,000 bonus over three years which is applied to the purchase of the car; another said the employee is allowed to retain the car.

Among the fleets offering to sell the car to the employee, nine said they base the price on AMR; two offer it at the "lower of book or wholesale value;" while two others said the employee can buy the car at the "book value on the lease." One fleet reports the price to an employee was "net of depreciation." Others offer it at "market value" or "fair market value" less 10 percent. Two fleets said they sell the car at the "clean wholesale" price.

Chemical & Petroleum Group

The Chemical & Petroleum Group consists of 29 fleets operating 33,560 passenger cars (14,959 company-owned, 18,601 leased).

1) Personal Use Policies

Twenty-six of the 29 fleets in the group permit personal use of the company car after working hours and on weekends and holidays. Three fleets permit no personal use at all and six others do not allow the company car to be used for vacation travel. In addition, two other fleets place some limitation on the number of personal miles that can be driven.

Sixteen of the 26 fleets permitting personal use charge the employee for such use; 10 fleets make no charge. Of the 16 fleets, four have a straight mileage chargeback; nine have a flat weekly or monthly charge, and two use a combination of both. Among the fleets with a mileage charge, two charge 13 cents a mile; one each charge 10 and 15 cents a mile.

Among the fleets using a flat monthly charge for personal use, the rate is $25, $30, and $50 a month in two each. Other chargebacks mentioned were (by one fleet each) $26 and $40 a month. One fleet charges $50 a month for mid-size cars and $100 a month for large cars. Combination charges mentioned were 8 cents a mile plus $30 a month and 10 cents a mile plus $35 a month.

Four fleets in the group collect the personal use chargeback by means of an expense report deduction; seven have a salary deduction program, and four use "other" methods of collecting — personal checks or adding the use charge to the employee's annual income.

> ***"More fleets than ever before are collecting personal use chargebacks through a salary deduction program."***

Five fleets in the group permit only the employee to drive the company car for personal reasons. The remaining 21 of the 26 that permit personal use extend the privilege to the employee's spouse. Six fleets extend the driving privilege to licensed children, and only one fleet allows its use by "others" living in the same household.

Eight fleets in the group have minimum age requirements for use of the company car. Among those specifically mentioned were 21 and 25 years of age by two fleets each; 18 and 20 years by one fleet each.

Six fleets in the Chemical & Petroleum Group require employees to help pay for repairs required by accidents occurring during personal use. One fleet assesses the full amount of the repairs. One fleet charges $200; another $250 towards the cost. Three fleets in the group ask the employee to pay the insurance deductible.

2) Fleet Car Assignment

Eighteen fleets in the group have established a minimum business mileage as one consideration in assignment of fleet cars. Three fleets set the requirement at 20,000 miles a year. Three each set it at 14,400, 15,000 and 18,000 miles a year. In one fleet the policy calls for assignment of a company-provided car "when rentals exceed cost of permanent car." Another fleet said the requirement was 12,000 miles a year or 150 days out of the office. One fleet set the requirement at 50 percent of the time for travel. Other mileage requirements ranged from a low of 12,000 miles to a high of

21,600 miles a year. Nine fleets in the group report "fringe benefit" is a consideration in eligibility.

3) Business Use of Personal Cars

In reimbursing an employee who does not have an assigned fleet for business use of a personally owned vehicle, 22 fleets pay 20 cents a mile; one each pays 18 and 25 cents a mile. One fleet has a sliding scale of 10 cents a mile for the first 1,000 miles, then 5 cents for additional mileage plus $150 a month. Another fleet pays $195 a month plus 17 cents a mile. One fleet pays 20 cents a mile and $230 a month, while one pays 20 cents a mile for the first 1,250 miles in a month, and 11 cents a mile thereafter.

In all but one fleet the reimbursement policy for use of a personal car when the fleet car is not usable is based on mileage. Twenty-four fleets pay 20 cents a mile; one fleet each pays 17, 18, and 25 cents a mile. One fleet in the group reimburses its employees at 20 cents a mile for the first 900 miles and 11 cents for all additional miles driven in a month.

4) Compensation for Loss of Car

Fourteen fleets in the Chemical & Petroleum Group report that some form of compensation or ability to purchase the car was fleet policy when an employee loses eligibility for a company car. In one case, the employee is allowed to keep the car. One fleet gives a "one time salary adjustment," and one fleet reported its policy was an increase in salary but it was lost if the employee was ever assigned a car again.

Among the fleets that offer to sell the car to the employee, three said the price is set at "wholesale;" two fleets put the price at the car's book value. One said it will sell the car at "book value or one-half AMR, whichever is higher." And one fleet reports the price to an employee is book value plus $300.

"Other"

This group is made up of fleets not included in other industry groups. It includes financial institutions, transportation companies, and marketing

(Continued on page 22)

PERSONAL USE SURVEY SUMMARY

	Insurance (66)		Food & Beverage (27)		Drug & Cosmetics (45)		Mfg. Consumer (53)		Mfg. Industrial (63)		Chemical Petroleum (29)		Others (24)		U.S. Comm. (307)		Public Utility (18)		Government (24)		Canada (52)	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Employees Permitted Personal Use of Car?	64	2	27	—	45	—	52	1	62	1	26	3	17	7	293	14	9	9	12	12	50	2
After working hours	64	—	27	—	45	—	52	—	62	—	26	—	17	—	293	—	9	—	12	—	50	—
Weekends	64	—	27	—	45	—	52	—	61	1	26	—	17	—	292	1	8	1	7	5	50	—
Vacations	62	2	25	2	45	—	51	1	57	5	21	5	17	—	278	15	4	5	1	11	50	—
Limits on Personal Use	8	56	2	25	3	42	6	46	6	56	2	24	3	14	30	263	3	6	3	9	4	46
Charge for Personal Use	60	4	24	3	42	3	47	5	48	14	16	10	16	1	253	40	8	1	6	6	39	11
Mileage Charge	25	—	8	—	17	—	17	—	11	—	4	—	4	—	86	—	4	—	5	—	10	—
Flat Rate	28	—	8	—	18	—	21	—	26	—	9	—	9	—	119	—	3	—	1	—	24	—
Both or Other	7	—	8	—	6	—	7	—	10	—	2	—	3	—	43	—	1	—	—	—	5	—
Personal Use Collected by:																						
Expense Report	35	—	10	—	25	—	23	—	21	—	4	—	9	—	127	—	1	—	1	—	10	—
Salary Deduction	20	—	10	—	14	—	21	—	20	—	7	—	7	—	99	—	4	—	2	—	24	—
Both or Other	5	—	4	—	3	—	3	—	7	—	4	—	—	—	26	—	3	—	3	—	5	—
Use Permitted by:																						
Employee Only	3	—	—	—	—	—	5	—	2	—	5	—	—	—	15	—	5	—	12	—	2	—
Employee & Spouse	61	—	27	—	45	—	47	—	60	—	21	—	17	—	278	—	4	—	—	—	48	—
Employee & Children	33	—	18	—	27	—	30	—	35	—	6	—	8	—	157	—	1	—	—	—	35	—
Employee & Others	9	—	5	—	7	—	7	—	14	—	1	—	2	—	45	—	—	—	—	—	8	—
Age Limits Set	17	47	13	14	19	26	23	29	25	32	8	18	9	10	114	176	2	7	1	11	19	31
Repair Costs Paid For By Employee	18	46	9	18	21	24	25	27	29	33	6	20	10	7	118	175	1	8	4	8	34	16
Full Amount	—	—	—	—	1	—	2	—	1	—	1	—	3	—	8	—	1	—	—	—	2	—
Fixed Share	1	—	—	—	1	—	3	—	—	—	—	—	—	—	5	—	—	—	1	—	2	—
Dollar Amount	9	—	2	—	16	—	10	—	11	—	2	—	2	—	52	—	—	—	1	—	7	—
Insurance Deductible	8	—	7	—	3	—	10	—	15	—	3	—	5	—	51	—	—	—	2	—	23	—
Accident Charged	26	38	17	10	26	19	28	24	39	23	8	18	7	10	151	142	4	9	1	11	27	21

Personal Use Survey Results

(Continued from page 19)

organizations. The group consists of 24 fleets operating 6,754 passenger cars (1,043 company-owned, 5,711 leased).

1) Personal Use Policies

Of the 24 fleets in the group, 17 permit personal use of the company car, while seven do not. The 17 that do allow personal use of the company car permit it to be used after working hours, on weekends, and for vacation travel. Three fleets place some limits on the amount of travel allowed.

Sixteen of the 17 fleets charge for personal use of the company-provided vehicle. Four have a straight mileage chargeback; nine have a flat weekly or monthly charge, while three have a combination of charges. The straight mileage charges are (in one fleet each) 10, 14, 16, and 20 cents a mile.

Two fleets charge their employees $50 a month for personal use. One each have a chargeback of $15 a month; $30 bi-weekly; $11 to $14 a week, and $5 to $12 a week. The combination charges (again, each by one fleet) are $25 a month and 9.5 cents a mile; $20 a month and 10 cents a mile, and $30 bi-weekly plus 10 cents a mile over 1,000 personal miles a month.

> ***"Nearly 70 percent of the fleets using mileage as the measure of personal use chargebacks now charge more than 10 cents a mile."***

Nine fleets in the group collect the personal use chargeback through an expense report deduction; seven collect it through a salary deduction program.

Every fleet in the group permits the employee's spouse to drive the company car; eight permit the vehicle to be used by licensed children, and two extend the driving privilege to "others" living in the same household.

Nine fleets in the group have minimum age limits for use of the car. In five fleets the minimum age is 21; in four it is 18. Ten fleets require the employee to pay at least a portion of the repair costs resulting from an accident during personal use. Three fleets assess the full amount of the repair costs. One fleet each charges $100 and $150 as a flat sum contribution. Five fleets charge the insurance deductible which ranges in this group from $100 to $250.

2) Fleet Car Assignment

In 12 fleets business mileage is one of the criteria for assignment of a company car. Three fleets set the minimum number of business miles at 20,000, while two set it at 12,000 miles a year. One fleet each requires minimum business mileage of 7,500, 10,000, 15,600, 18,500 miles. One fleet in the group has different mileage requirements depending on the size of car to be assigned — 8,750 for subcompacts; 10,000 for intermediates, and 12,500 for large cars. One other fleet specifies 12,000 business miles for technicians, and 6,000 miles for supervisors. One fleet requires the employee to be with the company for at least six months and have completed a training program.

What's In Store for March

The March issue of *NAFA Bulletin* will carry the personal use survey results for the public utility, government and Canadian groups.

It will provide you with information on the four fleet management areas: 1) personal use of company-provided vehicles; 2) criteria for assignment of company cars; 3) reimbursement for use of personally owned cars for business, and 4) compensation or sale of cars to employees who no longer qualify for a company-provided vehicle.

3) Business Use of Personal Cars

In reimbursing employees for business use of personal cars (when there is no assigned fleet car), 10 fleets pay 20 cents a mile; two pay 20½ and 22 cents, while one each pays 18, 19, and 23 cents a mile. Five fleets have a combination reimbursement plan. The reimbursement rates are eight cents a mile and $290 a month; 9.5 cents a mile plus $100 a month and insurance; 22 cents a mile and $150 a month; eight cents a mile and $150 a month, and 22 cents a mile plus $400 a month.

When an employee with an assigned fleet car is required to use a personal car for business, 12 fleets in the group pay 20 cents a mile; three pay 20.5, and four pay 22 cents a mile. One each has a reimbursement rate of 18 and 23 cents a mile.

4) Compensation for Loss of Car

Seven fleets in the group reported they make either a cash payment or provide an employee who is no longer eligible for an assigned fleet vehicle the opportunity to buy the car. The cash payments (by one fleet each) are $1,400, $3,000, and $4,500 a year.

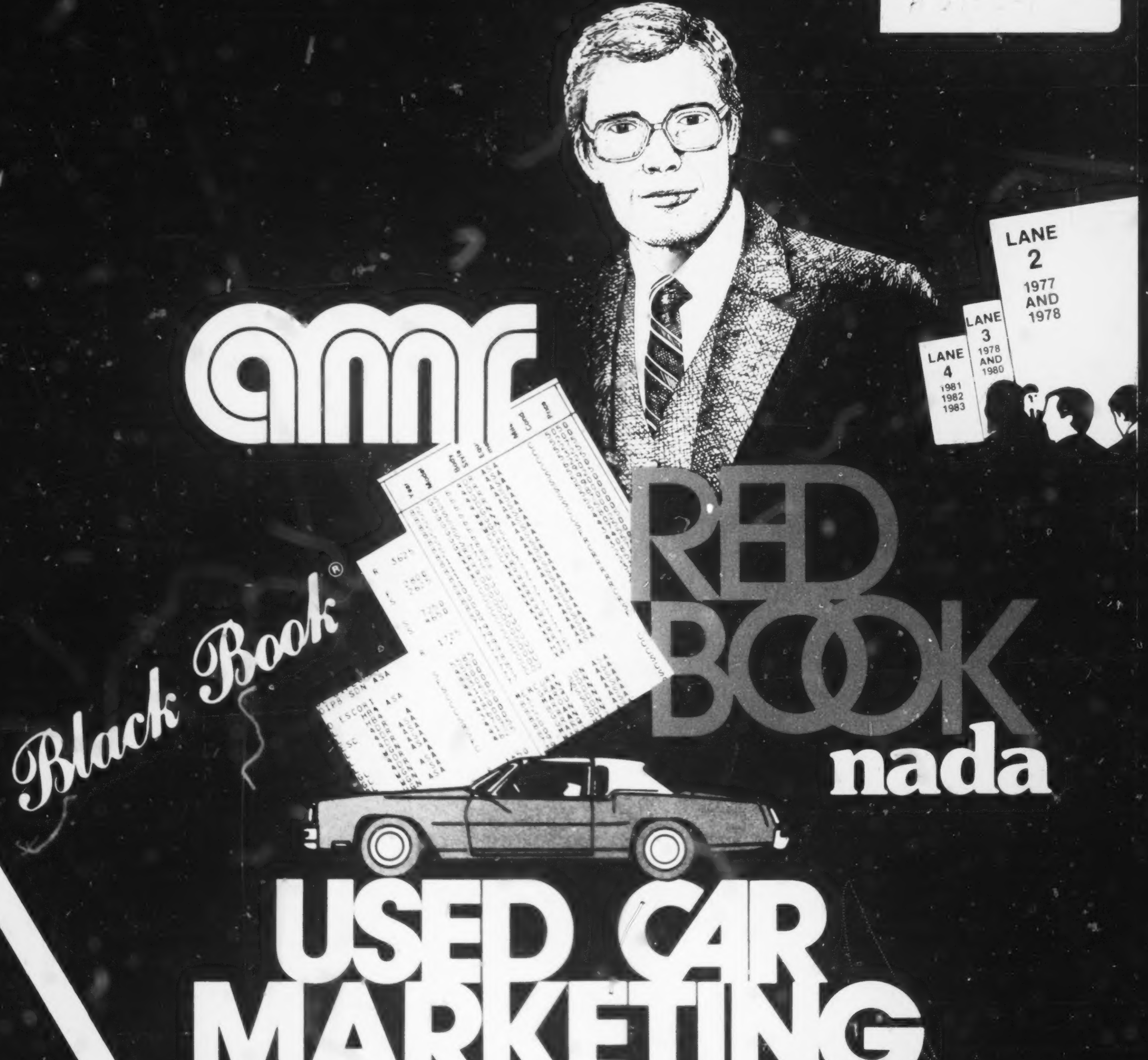
Two fleets said they would sell the car to an employee at book value or the "balance due" on the car. One set the price at fair market wholesale; another Blue Book "low;" while two fleets used a percentage of AMR — one said 70% of AMR; the other 10% below AMR fair. ■

NAFA

Bulletin

The Magazine for Fleet Administrators

March 1984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USED CAR MARKETING SURVEY

NAFA Bulletin

The Magazine for Fleet Administrators
March 1984

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Used Car Marketing Survey:

Average Service Life 29 months/ to Change

NAFA survey confirms belief that leased cars are kept in service a few months less, driven fewer miles than company-owned vehicles in U.S. Commercial fleets.

NAFA Exclusive

A total of 257 NAFA members responsible for fleets with 166,409 passenger cars participated in the Association's 1983 used car marketing survey. In order to provide a valid appraisal of their vehicle replacement policies and used car marketing methods, the responses are divided into four major segments — U.S. Commercial, Public Utility, Government fleets, and Canadian fleets.

Among the 178 fleets (105,254 passenger cars) in the U.S. commercial fleet segment, the average car is kept in service 29.6 months and driven 56,135 miles before being sold. In 1983, these fleets sold 34.8 percent of their vehicles. A further analysis reveals that leased cars are kept in service 28.4 months and driven 56,668 miles, while company-owned cars are kept 30.5 months and driven 58,039 miles.

Of the cars sold in 1983 by this segment of the market, 32 percent were 1980 model year cars or older; 44 percent were 1981 models; 20 percent were 1982 models, and four percent were 1983 model year cars.

While sales to employees was the most popular used car marketing method reported (30 percent of all sales), wholesalers and auto auctions are increasing their penetration of the market. In 1983 these two marketing methods were up to 29 and 27 percent of all sales respectively. According to the survey, five percent of the fleet cars were sold to used car dealers; eight percent were traded to new car dealers (more by leased fleets than by company-owned fleets), and one percent were sold as "wrecks" or as "salvage." Company-owned fleets sell a higher percentage of their used cars to employees than do leased fleets (37 percent as compared to 24 percent).

The U.S. Public Utility Group (22 respondents, 32,758 vehicles) has the distinction of keeping its cars longer and driving them further than any other group in the survey. The average service life is 71.2 months and 88,684 miles. The U.S. Government Group (27 respondents, 23,070 cars) kept its cars for an average of 52.4 months and 79,066 miles. Among the 30 Canadian fleets with 5,327 vehicles, the average service life was 28.8 months and 87,000 kilometers (53,939 miles).

It is difficult to define a trend in future vehicle cycling policies. Twenty-six U.S. Commercial Fleets said they plan to change their cycle in 1984; 14 reported they would lengthen it (either months or miles driven), while 12 said they were shortening their vehicle life cycles. (For a complete breakdown of the responses to this question, see the chart on page 12.) Eight Canadian fleets said they plan to change their replacement cycles in 1984. Six are increasing either the months in service or miles driven, while two will shorten the cycle.

Canadian Segment

The Canadian segment of the annual used car survey consists of 30 fleets operating 5,327 passenger cars (1,339 company-owned, 3,988 leased).

In 1983, these fleets sold 1,975 cars, approximatley 37 percent of their total vehicles. Twenty-eight percent of the vehicles sold were 1980-model year or older cars; 51 percent were 1981 models; 20 percent were 1982 models, and one percent were 1983 or current year models.

Sixty percent of the used cars were sold to employees; 17 percent were marketed to wholesalers; nine percent went to used car dealers, five

56,000 Miles; Few Fleets Planning Cycle for 1984

percent were sold through auto auctions, and nine percent were traded to new car dealers.

The average service life of Canadian cars sold in 1983 was 28.8 months; they were driven an average of 87,000 kilometers (53,939 miles).

In response to the question who is responsible for the sale of used cars, 14 fleets said both the fleet manager and leasing company shared the responsibility. In 11 fleets it is the sole responsibility of the fleet manager. Two fleets said a fleet management service handled it, while two others said the marketing was done by a corporate field office.

Several methods of determining a price were reported by those fleets who sold vehicles directly to employees. Only two fleets said they didn't sell used cars to employees. In 13 fleets the price is determined by "Black Book" values; four fleets sell the car at book value; while two each said the price is auction value, wholesale, and market value. Other prices mentioned are book value plus $300; half-way between book and market value; wholesale less $300. One fleet reported it bases its price to employees on the "leasing company's suggestion."

Eight fleets in the Canadian group reported they were planning to change their vehicle cycling policy for 1984 and 1985. Six fleets will either increase the months in service or miles driven, while two plan to shorten the replacement cycle. One fleet said it will drop from 36 months/90,000 kilometers to 24 months/60,000 miles; another fleet said it was changing their recyling policy from 36 months to 24 months or 88,000 kilometers.

Among the fleets increasing their service life cycle plan, these changes were indicated: 42 months/99,000 kilometers to 48 months/100,000 kilometers; 80,000 to 85,000 kilometers; 55,000 to 60,000 kilometers; 80,000 to 100,000 kilometers, and 36 to 48 months (two fleets).

At the present time, the vehicle cycle most frequently used is 36 months/100,000 kilometers (62,000 miles). The shortest cycle mentioned was 24 months while the longest was 48 months. Driving range varied from a low of 50,000 kilometers to a high of 100,000 kilometers.

Eight fleets in the Canadian group reported they did some reconditioning of used cars before selling them; 22 fleets reported they sold their vehicles "as is."

U.S. Commercial Fleet Segment

Manufacturing-Industrial Group

The Manufacturing-Industrial Group consists of 30 fleets operating 20,312 passenger cars (15,376 owned, 4,936 leased). In 1983, this group sold 7,505 cars, 36.9 percent of their total vehicles.

Of the cars sold, 35 percent were 1980 models or older; 46 percent were 1981 models; 18 percent were 1982 models, and one percent were 1983 or current year cars.

Forty-four percent of the vehicles marketed during the year were sold to employees; 26 percent went to wholesalers; 28 percent to auto auctions, only one percent were sold to used car dealers, and less than one-half of one percent were traded to new car dealers.

When we asked who is responsible for marketing used cars, eight fleets said it is shared by the fleet manager and the leasing company. In 17 fleets the fleet manager has complete responsibility for the sale of used cars. Two fleets use a management service and three rely exclusively on a leasing company to handle the sale of all used cars. One fleet reported that a "field office" handled the sale of used vehicles.

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Used Car Marketing Survey

(Continued from page 7)

Every fleet in the group allows their employees to buy used cars. Among the methods of determining a price, AMR (Automotive Market Report) and NADA (National Auto Dealers Association) guide books were mentioned most often as the base on which prices were set. Two fleets sell the car to an employee at "market value." Two fleets each mentioned "Black Book" and "Red Book" as their used car price guides. Two other fleets set the price at NADA wholesale minus $200. Other methods of establishing a price to employees mentioned by one fleet each included lease balance, market conditions plus condition report, book value, $250 over residual, bid of at least $300 below Blue Book minimum.

Five fleets in the Manufacturing-Industrial Group said they are planning to change their vehicle cycling policies in 1984. Two fleets plan to increase the car's length of service time or miles driven — one from 25 to 35 months; the other from 50,000 to 55,000 miles. Three fleets are shortening their service life cycles — one is switching from 60,000 miles to annual replacement, another is shifting from a 36-month/65,000-mile cycle to 24-30 months/55,000 miles, while a third is decreasing vehicle usage from 90,000 to 75,000 miles while keeping a 36-month period.

At the present time the replacement cycle most often mentioned is 36 months, 60,000 miles (six fleets). Four fleets reported their current vehicle cycle is 36 months or 55,000 miles, and two fleets said their cars were in service 36 months or 65,000 miles. Three fleets said replacement was based on mileage, 50,000 in two fleets; 60,000 in the other. Only one fleet said it bases its replacement solely on months in service; in that fleet it is 24 months. Other fleets use a combination of time and/or mileage. The shortest cycle mentioned was 24 months or 45,000 miles. The longest cycle reported was 48 months or 75,000 miles.

Nine fleets in the Manufacturing-Industrial Group said they did at least some reconditioning before selling used cars, while 21 fleets sold their cars "as is."

The average length of time in service for all fleets in the group was 28.6 months, with an average of 58,129 miles driven. A sampling of leased cars in the group revealed that they were in service an average of 25 months before being sold, while company-owned cars were kept an average of 29.6 months. Surprisingly, the leased cars were driven further (59,024 miles) in a shorter time span than the company-owned cars (58,025 miles).

Manufacturing-Consumer Group

The Manufacturing-Consumer Group consists of 22 fleets operating 10,635 passenger cars (3,585 company-owned, 7,050 leased). These fleets sold 3,263 cars in 1983, 30.7 of their total number of vehicles. Of the vehicles sold during the year, 26 percent were 1980 or older models; 59 percent were 1981 models; 14 percent were 1982's, and only one percent were 1983 or current year models.

Survey Highlights

	U.S. Commercial Fleet Totals	Representative Leased Fleets	Sample of Owned Fleets
Total Cars in Survey	105.254	19.091	35.352
Cars Sold in 1983	34.8%	33%	34%
Model Year Cars Sold			
1980 or Older	32%	31%	35%
1981	44%	48%	45%
1982	20%	16%	19%
1983	4%	5%	1%
Selling Methods			
To Employees	30%	24%	37%
Wholesalers	29%	33%	30%
Used Car Dealers	5%	3%	1%
Auto Auctions	27%	32%	31%
Trade-In	8%	8%	1%
Other (wreck/salvage)	1%	—	—
Average Months in Service	29.6	28.4	30.5
Average Miles when Sold	56.135	56.668	58.039

Twenty-eight percent of the cars sold during the year were marketed to employees; 14 percent were sold to wholesalers; 54 percent were sold through auto auctions; three percent were traded to new car dealers, and one percent were sold to used car dealers.

In 10 fleets the responsibility for marketing used cars is shared by the fleet administrator and a leasing company. Seven fleets said the fleet manager has total control of used car sales; three fleets reported the leasing company has full responsibility, and two fleets said they use a management service to handle used car sales.

Six fleets in the group reported the method of determining the used car price for sale to employees is based on AMR. Two fleets each base the price on depreciated book value; wholesale value, and two seek bids from employees. Other methods for establishing the price, mentioned by fleets in the group, included Blue Book plus 10 percent; 1.75 percent depreciation per month; book value; NADA, and Blue Book.

Six fleets reported they are planning to change their 1983 replacement cycle in 1984 and 1985. Three fleets are decreasing the months or miles cars will be kept in service. One fleet is moving from a 70,000-mile replacement to three years and 55,000 miles in 1984, and three years and/or 50,000 miles in 1985. Another fleet is switching from its current cycle of 40 months or 75,000 miles to 36 months or 65,000 miles, while the third, which now replaces cars at 85,000 miles, is switching to a 24 month or 85,000-mile cycle.

Of the three fleets that are increasing their used car cycle, one reports it is moving from 24 months/

(Continued on page 10)

Used Car Marketing Survey

(Continued from page 8)

50,000 miles to 36 months or 60,000 miles; one said it is increasing service life from 24 to 36 months, and the third fleet is going from 60,000 to 75,000 miles.

Only three fleets in the Manufacturing-Consumer Group said they recondition their used cars before selling them; 19 sell the cars "as is."

For all the cars in the group sold during 1983, the average service life was 29.4 months; average mileage was 57,680. In comparing leased and owned vehicles in the group, the leased cars were kept an average of 28.5 months, compared to 30.2 months for company-owned vehicles. Average mileage at time of sale was 58,129 for leased cars and 57,271 for owned cars.

Food & Beverage Group

This segment of the survey consists of 23 fleets operating 9,112 passenger cars (6,054 company-owned, 3,058 leased). During 1983 the group sold 2,661 vehicles, 29 percent of its total fleet. Of those vehicles sold in 1983, 32 percent were 1980 or older models; 42 percent were 1981 models; 21 percent were 1982 models, and five percent were 1983 or current year model cars.

The fleets in the group sold 30 percent of their used cars to employees; 23 percent were sold to wholesalers; 34 percent were sold through auto auctions, seven percent were sold to used car dealers, and six percent were traded to new car dealers.

> ***"Among the 178 fleets in the U.S. commercial fleet segment, the average car is kept in service 29.6 months and driven 56,135 miles before being sold. In 1983, these fleets sold 34.8 percent of their vehicles."***

In response to the question who is responsible for the sale of used cars, 11 fleets said fleet managers are responsible. The responsibility is shared with a leasing company in seven fleets, and in two fleets each, the sale of used cars is handled exclusively by a leasing company and a fleet management service.

In setting the price for sales to employees, four fleets rely on AMR, while two fleets each said the price is based on wholesale value; book value minus $100; fair market price plus $50, and Black Book value. One fleet each set the price to an employee as net wholesale; depreciation plus $300; bids based on book value, while one fleet uses a "3-bid procedure."

Only four fleets in the group are planning to change their replacement cycle policies. One is shortening the cycle from 100,000 miles to three years or 80,000 miles. The three fleets planning to lengthen their cycles will make these changes for 1984 — from 24 months/50,000 miles to 36 months/60,000 miles; 24 months/40,000 miles to 36 months/50,000 miles, and 50,000 to 65,000 miles.

The present vehicle replacement policies within the Food and Beverage Group vary quite widely. Two fleets are on a 36 months/60,000-mile cycle; two use a 36 month or 50,000 mile program, while two others have a 36 month and/or 55,000-mile replacement policy. The shortest mileage cycle mentioned was 24 months; the longest was 48 months. The highest mileage basis for replacement was 100,000 miles; the shortest was 50,000 miles.

At the present time, only one fleet in the group does any reconditioning of used cars before selling them; 21 sell the cars "as is."

The average months in service for vehicles in the Food & Beverage Group is 29.5; average mileage when sold is 51,976. Among leased fleets in the group, the average mileage is 55,377 with a service life of 28.7 months. For company-owned fleet cars, average service life is 30.1 months at 49,572 miles.

The tabulations for the Food & Beverage Group do not include the response from a 1,000 car company-owned fleet which has a very short replacement cycle and trades all of its used cars. Including that large fleet in the composite picture would have caused a misleading distortion of the responses.

Chemical & Petroleum Group

The Chemical & Petroleum Group consists of 21 fleets operating 14,374 passenger cars (4,583 company-owned, 9,791 leased). During 1983 the fleets in the group sold 5,010 cars, approximately 35 percent of their total number of vehicles. Of those sold in 1983, 36 percent were 1980 or older models; 40 percent were 1981 models; 19 percent were 1982 models, and five percent were 1983 or current year models.

Of the used cars marketed in 1983, these selling methods were used: 18 percent to employees; 54 percent to wholesalers; 21 percent through auto auctions; six percent were traded to new car dealers, and less than one-half of one percent were sold to used car dealers. In addition, one fleet reported it sold a few cars through bids to "outsiders."

In thirteen fleets the fleet manager is responsible for marketing used cars; in three fleets, the fleet administrator and leasing company share the responsibility, and in five fleets a leasing company handles all used car sales.

Two of the 21 fleets in the Chemical & Petroleum Group do not sell used cars to their employees; the other 19 do. In setting the price for a sale to an employee, eight fleets in the group said they use AMR (Automotive Market Report) as their guide. Two fleets use a combination of book value and NADA formula, while two others use the "Blue Book." One fleet each mentioned these methods for setting prices for employee sales: average of wholesale value books; 2.5 percent depreciation per month for the first year, 1.5 percent thereafter; NADA value; depreciation, and Red Book value.

Three fleets in the group reported that they were planning to change their replacement cycling policies in 1984 or 1985. In two fleets the cycle is being lengthened — from 48 months/60,000 miles to 70,000 miles, and 36 months/60,000 miles to 48 months/75,000 miles. The fleet that plans to shorten its cycle in 1985 will go from 48 months/60,000 miles to 48 months/55,000 miles.

The most frequently mentioned replacement cycle (five fleets) is 36 months/60,000 miles. Two fleets have a 36 month/55,000 mile replacement policy. Three fleets use a "mileage only" policy. In two fleets it is 60,000 miles; in the other is 100,000 miles. One fleet in the group uses "time in service" as the criterion for replacement — 26 months. The shortest cycle in the group is 36 months with a minimum of 35,000 miles. Two fleets are on a 48 months/60,000-mile cycle, while most others are on a 36-month cycle with mileage ranging from a low of 49,000 miles to a high of 100,000 miles. One fleet in the group sets its replacement policy at 60 months or 80,000 miles.

> ***"Of the cars sold in 1983 by the U.S. commercial fleet segment, 32 percent were 1980 model year cars or older; 44 percent were 1981 models; 20 percent were 1982 models, and four percent were 1983 model year cars."***

Four fleets in the group reported that they recondition their cars before selling them; 18 said their used cars are sold "as is."

Average months in service for the entire group at time of sale is 31.2 months; with an average mileage of 61,214. A comparison of replacement cycles of leased and company-owned fleets in the group reveals substantial differences. The leased cars are kept in service an average of 29.5 months, compared to 33.5 months for company-owned vehicles. The leased cars are driven an average of 58,439 miles, while company-owned vehicles are driven an average of 64,820 miles before being sold.

Insurance Group

The Insurance Group, participating in the used car survey, consists of 29 fleets operating 21,532 passenger cars (17,203 company-owned, 4,329 leased). The group sold a total of 7,550 cars in 1983. Of the cars that were sold, 40 percent were 1980 or older models; 36 percent were 1981 models; 21 percent 1982 models, and three percent were 1983 or current year models.

In marketing their used cars, the Insurance Group used these methods: 31 percent to employees; 19 percent to wholesalers; 25 percent through auctions; 14 percent were traded to new car dealers, and 11 percent were sold to used car dealers.

(Continued on page 12)

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Used Car Marketing Survey

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In 12 fleets marketing used cars is exclusively the responsibility of the fleet administrator. In five fleets it is handled by both the fleet manager and the leasing company. Three fleets said the leasing company handles used car sales and in one fleet the selling is done by a fleet management service. In four fleets the fleet manager and a corporate field office share the responsibility of selling used cars, and in two fleets the operator works with the fleet manager in handling the used car sale.

Four of the 29 fleets reported that they plan to change their replacement cycle policies in 1984. In all four instances, the trend is to shorten the cycle either in miles driven or months in service. Specifically, one fleet is shifting from 48 months/60,000 miles to 48 months/55,000 miles; another with a 48 month/60,000-mile cycle plans to shift to 36 months/55,000 miles. A third fleet whose cycle was four model years is switching to a mileage cycle of 47,000 to 60,000 miles. The fourth fleet, with a current cycle of 30 months/55,000 miles, is switching to a 24 month/50,000 mile policy.

> ***"While sales to employees are the most popular used car marketing method reported, wholesalers and auto auctions are increasing their penetration of the market."***

The replacement cycle most frequently used among the Insurance Group fleets is 36 months/60,000 miles (five fleets). Two fleets have a 36 month/55,000 mile replacement policy. Only one fleet in the group replaces its cars solely on a "months in service" basis — 24 months. Three fleets use mileage only as their guide — 55,000 miles in two; 49,000 in the other. All other fleets use a combination of time and/or mileage. The shortest cycle mentioned was 24 months/40,000 miles. The longest was 48 months/75,000 miles.

Every fleet in the group is willing to sell cars to its employees. In 12 fleets the method of determining the used car price is based on AMR. Five fleets base the price to an employee on NADA trade-in. Two fleets each base the price on salvage value and Blue Book value. One fleet each mentioned these bases for employee sales: market reports; between wholesale and retail, Black Book, and "wholesale."

Five fleets, of the 29 in the Insurance Group, recondition their used cars before selling them; 23 sell them "as is."

At the time of sale, the average months in service for the Insurance Group's cars is 31.9; the average odometer reading is 52,534 miles.

Drugs & Cosmetics Group

There are 24 fleets represented in the Drugs & Cosmetics Group. They operate 20,344 passenger cars (2,183 company-owned, 18,161 leased). The fleets in this group sold 7,705 vehicles in 1983, 37.9 percent of their total stock. Twenty-one percent of the cars sold in 1983 were 1980 or older models; 54 percent were 1981 models; 22 percent were 1982 models, and three percent were 1983 model year cars.

Changes in Replacement Cycling U.S. Commercial Fleets

INCREASES IN MONTHS OR MILEAGE

From	To
24 months/55.000 miles	36 months/60.000 miles
36 months/60.000 miles	36 months/70.000 miles
24 months/50.000 miles	36 months/50.000 miles
36 months/60.000 miles	48 months/75.000 miles
24 months/50.000 miles (2)	36 months/60.000 miles (2)
24 months/40.000 miles	36 months/50.000 miles
24 months/50.000 miles	24 months/65.000 miles
25 months/50.000 miles	35 months/50.000 miles
24 months/55.000 miles	24 months/65.000 miles
48 months/60.000 miles	60.000 to 70.000 miles
60 months/100.000 miles	60 months/125.000 miles
36 months/60.000 miles	36 months/75.000 miles
50.000 miles	55.0000 miles

DECREASES IN MONTHS OR MILEAGE

From	To
48 months/60.000 miles	48 months/55.000 miles
36 months/60.000 miles	24 months/50.000 miles
4 model years	47.000 to 60.000 miles
30 months/55.000 miles	24 months/50.000 miles
48 months/60.000 miles	36 months/55.000 miles
70.000 miles	36 months/55.000 miles
85.000 miles	24 months/85.000 miles
48 months/60.000 miles	48 months/55.000 miles
100.000 miles	36 months/80.000 miles
36 months/90.000 miles	36 months/75.000 miles
60.000 miles	Annual (1 year) replacement
40 months/75.000 miles	36 months/65.000 miles

In marketing their used cars during 1983, the Drugs & Cosmetics group used these methods: 29 percent to employees; 37 percent to wholesalers; six percent to used car dealers; 23 percent through auto auctions, and five percent were traded to new car dealers.

In 15 of the 23 fleets in the group, used car sales are handled by both the fleet administrator and the leasing company. In two fleets it is the sole responsibility of the leasing company, while in one fleet the job is handled by a fleet management service.

Every fleet in the group is willing to sell its used cars to employees. Ten fleets base the used car price on AMR values. Three fleets base the price on book value, while two others sell the car at "market value." Other bases for determining the price to employees are: (one fleet each) book value plus $300; wholesale value combined with balance of loan; NADA wholesale; Blue Book, Red Book, and market value — condition.

Only one fleet in the group said it plans to change its replacement cycle policy in 1984; it is

(Continued on page 14)

Used Car Marketing Survey

(Continued from page 12)

switching from 36 months/60,000 miles to 36 months/70,000 miles. The most often used replacement cycle among the group's fleets are 36 months/55,000 miles (five fleets); 36 months/50,000 miles (four fleets), and 24 months/50,000 miles (two fleets). Two fleets in the group base replacement only on miles driven — 45,000 and 55,000 miles. Among the other fleets, three have a 24-month cycle with mileage ranging from a low of 55,000 miles to a high of 75,000 miles. Three other fleets use 36 months as the base with mileage requirements ranging from a low of 45,000 to a high of 75,000 miles.

Three fleets in the group report they do some reconditioning before used cars are sold; 21 fleets sell their cars "as is."

The average service life for cars in this group is 27 months; average mileage at time of sale is 55,282 miles.

Banking-Financial Group

This new grouping in the NAFA survey consists of nine respondents who work for banks and financial institutions. The nine fleets consist of 1,644 passenger cars (1,208 company-owned, 436 leased). The group sold 555 cars in 1983, 34 percent of its total fleet. Of the cars that were sold in 1983, 21 percent were 1980 or older models; 64 percent were 1981 models; 14 percent were 1982 models, and one percent were 1983 or current year models.

In selling their used cars, the Financial Group sold 42 percent to their employees; 30 percent to wholesalers, 21 percent through auto auctions, only five percent to used car dealers and two percent were traded to new car dealers.

The fleet manager handles used car sales in five fleets; in three fleets, the leasing company and the fleet administrator share responsibility for used car marketing, while in one fleet the entire job is turned over to a leasing company.

When selling used cars to their employees, the group uses the following methods in setting the price: three rely on Black Book values; two on NADA guides, and one each cited Blue Book along with a wholesale bid; AMR; Galves wholesale, and fair market value.

All nine fleets in the Financial Group plan to continue with their current replacement cycle in 1984. Two fleets each have these replacement policies: two years/40,000 miles; three years/50,000 miles; 36 months/60,000 miles. One fleet each uses this replacement cycle: 36 months/55,000 miles; 36 months/45,000 miles, and 48 months/75,000 miles.

One fleet in the group reported that it did recondition its cars before offering them on the used car market; eight fleets said they sold their cars "as is."

The Financial Group's cars were kept in service an average of 29.4 months before being sold. At that time they have been driven an average of 50,057 miles.

(Continued on page 16)

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Used Car Marketing Survey

(Continued from page 14)

Retailing Group

Another new group appearing for the first time in this survey is the Retailing Group consisting of seven fleets operating 1,960 vehicles (293 company-owned, 1,667 leased). The fleets in this group sold 413 cars during 1983, only 21 percent of their total stock. Of the cars that were sold, one-third were 1980 models; 39 percent were 1981 models; 25 percent were 1982 models, and three percent were 1983 or current year models.

The Retailing Group sold 21 percent of its used cars to employees; 21 percent to wholesalers; 56 percent through auto auctions, and two percent were traded to new car dealers. Less than one-half of one percent were sold to used car dealers.

> ***"The U.S. Public Utility Group has the distinction of keeping its cars longer and driving them further than any other group in the survey. The average service life is 71.2 months and 88,684 miles."***

The fleet manager handles used car sales in only one fleet; it was a shared responsibility between the fleet administrator and leasing company in three fleets, and the leasing company sells the used cars for three fleets. Company car operators are involved in the sale of used cars in two fleets usually accompanied by the fleet manager.

In setting the price for a used car sold to an employee, two fleets use AMR as their guide. Other fleets use these guidelines: Book value plus $100; wholesale market value; five percent under wholesale; 85 percent of AMR or book value, whichever is higher.

Two of the seven fleets in the Retailing Group said they plan to change their replacement cycle in 1984. One is increasing it from 24 months/55,000 miles to 24 months or 65,000 miles; the other is switching from a 60 month/100,000-mile policy to 60 months and/or 125,000 miles. The remaining fleets in the group have these replacement cycles: 45 to 55,000 miles; 58,000 miles; 24 to 30 months; 100,000 miles or condition (economic to drive); 36 to 48 months/65,000 to 80,000 miles.

Every one of the fleets in the group reported that they sold their used cars "as is."

The average length of service for the cars in the group was 30.7 months; average mileage at time of sale was 72,485 miles.

Other

The final group in the U.S. commercial fleet segment of the used car survey consists of 13 fleets that do not fit into any of NAFA's traditional industry classifications. The group includes three newspapers, two educational institutions, and two transportation companies, as well as several other diverse firms.

The 13 fleets in the group operate 4,341 pas-

Survey Summary

					MODEL YEARS		
Group	Cars In Fleet	Owned	Leased	Sold In 1983	1980	1981	1982
Mfg.-Industrial (30)	20,312	15,376	4,936	7,505	2,329	3,443	1,402
Mfg.-Consumers (22)	10,635	3,585	7,050	3,263	827	1,940	446
Insurance (29)	21,532	17,203	4,329	7,550	2,874	2,747	1,554
Chemical & Petroleum (21)	14,374	4,583	9,791	5,010	1,674	2,005	947
Food & Beverage (23)	9,112	6,054	3,058	3,502	706	1,122	983
Drug & Cosmetics (24)	20,344	2,183	18,161	7,705	1,632	4,131	1,720
Banking (9)	1,644	1,208	436	555	84	354	80
Retailing (7)	1,960	293	1,667	413	135	161	104
Other (13)	4,341	1,827	2,514	1,194	472	368	94
U.S. Commercial (178)	105,254	53,312	51,942	36,697	10,733	16,271	7,330
Public Utility (22)	32,758	28,958	3,800	4,305	456	221	46
Government (27)	23,079	22,679	400	6,408	1,552	481	151
Canada (30)	5,327	1,339	3,988	1,975	507	1,012	398

senger cars (1,827 company-owned, 2,514 leased). The firms in this group sold 1,194 cars during 1983. Of these cars, 59 percent were 1980 or older models; 31 percent were 1981 models; eight percent were 1982 models, and two percent were 1983 or current year models.

Forty-two percent of their used cars were sold to employees; 35 percent went to wholesalers; 21 percent were marketed through auto auctions; two percent were traded to new car dealers, and less than one-half of one percent were sold to used car dealers.

Two fleets in the group do not sell used cars to employees. Of the 11 that do, five fleets reported that the job is handled by both the fleet manager and leasing company; the leasing company is responsible for used car marketing in two fleets, and in four fleets the fleet administrator has the major responsibility for the sale of used cars to employees.

In setting the price for employee sales, five fleets use AMR as their guide; three base their price on NADA values. Other guidelines mentioned include Blue Book vs. condition; highest bid; five percent over NADA wholesale; Galves price list.

Only one fleet in the group reported that it will change its replacement cycle in 1984 — switching from 24 months/55,000 miles to 36 months/60,000 miles.

The other fleets will maintain their current replacement policy. The most frequently mentioned policy was 36 months/60,000 miles (by three fleets). Two fleets in the group base their replacement solely on mileage driven — 55,000 in one; 70,000 in the other. Two fleets have 60-month cycles, one with a 60,000 mile minimum, the other with a 100,000-mile limit.

Two fleets have 48 month and mileage cycles — 80,000 in one fleet; 100,000 in the other. The shortest cycle of any fleet in the group is 24 months/55,000 miles.

Three of the 13 fleets in the group do at least some reconditioning of their cars before selling them; 10 market their used cars "as is."

The cars in this group are kept in service an average of 36.4 months and are driven an average of 70,758 miles before being sold.

Public Utility Group

The Public Utility segment of the used car survey consists of 22 fleets operating 32,758 passenger cars (28,958 company-owned, 3,800 leased).

The fleets in the group sold only 4,305 cars in 1983, 13 percent of their total stock. Of the cars that were sold during the year, 94 percent were 1980 or older models; five percent were 1981 models; one percent were 1982 models, and less than one-half of one percent were 1983 model year cars.

Nearly three-fourths of the used cars were sold through auctions; 13 percent were sold to employees; eight percent were sold to wholesalers, two percent were sold to used car dealers, and three percent were traded to new car dealers.

Thirteen of the 22 public utility fleets are willing to sell used cars to employees; nine do not permit

(Continued on page 18)

Sheet

		SELLING METHODS						
1983	Older	Employee	Wholesale	Used Car	Auto Auction	Trade Ins.	Average Months	Average Miles
56	275	3,195	1,889	52	2,047	3	29.1	58,129
37	13	893	441	35	1,736	106	29.4	57,680
248	127	2,316	1,471	797	1,904	1,061	31.9	52,534
225	159	917	2,708	25	1,045	306	31.2	61,215
549	142	813	603	179	908	999	26.7	47,082
205	17	2,192	2,870	494	1,748	401	27.0	55,282
4	33	235	165	26	129	11	28.5	48,522
13	—	87	87	1	230	8	30.7	72,484
24	236	506	416	4	248	20	36.3	70,574
1,361	1,002	11,154	10,650	1,613	9,945	2,915	29.6	56,134
2	3,580	540	323	83	3,143	165	71.2	88,684
197	4,020	12	—	15	2,354*	4	52.4	79,066
19	39	1,183	334	167	97	184	28.9	87,000 kilometers

*Many government agencies reported that they sold their cars through public auction rather than through a wholesale auto auction or they disposed of them through another agency such as a General Service Agency.

Used Car Marketing Survey

(Continued from page 17)

such sales. One fleet reported it used a fleet management service to handle the marketing of their used cars. In the other fleets it is the responsibility of the fleet manager, but in five fleets a corporate field office also participated in the sale of the used vehicles.

In setting the price of cars sold to employees, six fleets said they use NADA values as a guide; three sold on a basis of high bid. Other methods of setting the price to employees include: "mid-book," residual value of lease, and trade-in value less mileage allowance.

Four public utility fleets said they plan to change their replacement cycle in 1984. In each case the new policy will be to keep cars a shorter period. In one fleet a 36 month/70,000 mile-cycle is being changed to 24 months; a fleet with a 39 month/75,000-mile policy is switching to a 36 month/60,000-mile cycle, the third fleet is moving from a 10 year/100,000-mile policy to five years or 60,000 miles. The fourth fleet is changing its policy of selling cars when they became "unserviceable" to a 60 month/60,000-mile cycle.

Among the fleets that don't plan to revise their replacement policies, three have a 100,000-mile in use program; three others keep vehicles in service for 10 years. Only one fleet has a cycle as short as 36 months/60,000 miles. The majority of the fleets in the public utility group plan to keep vehicles in service a minimum of 60 months.

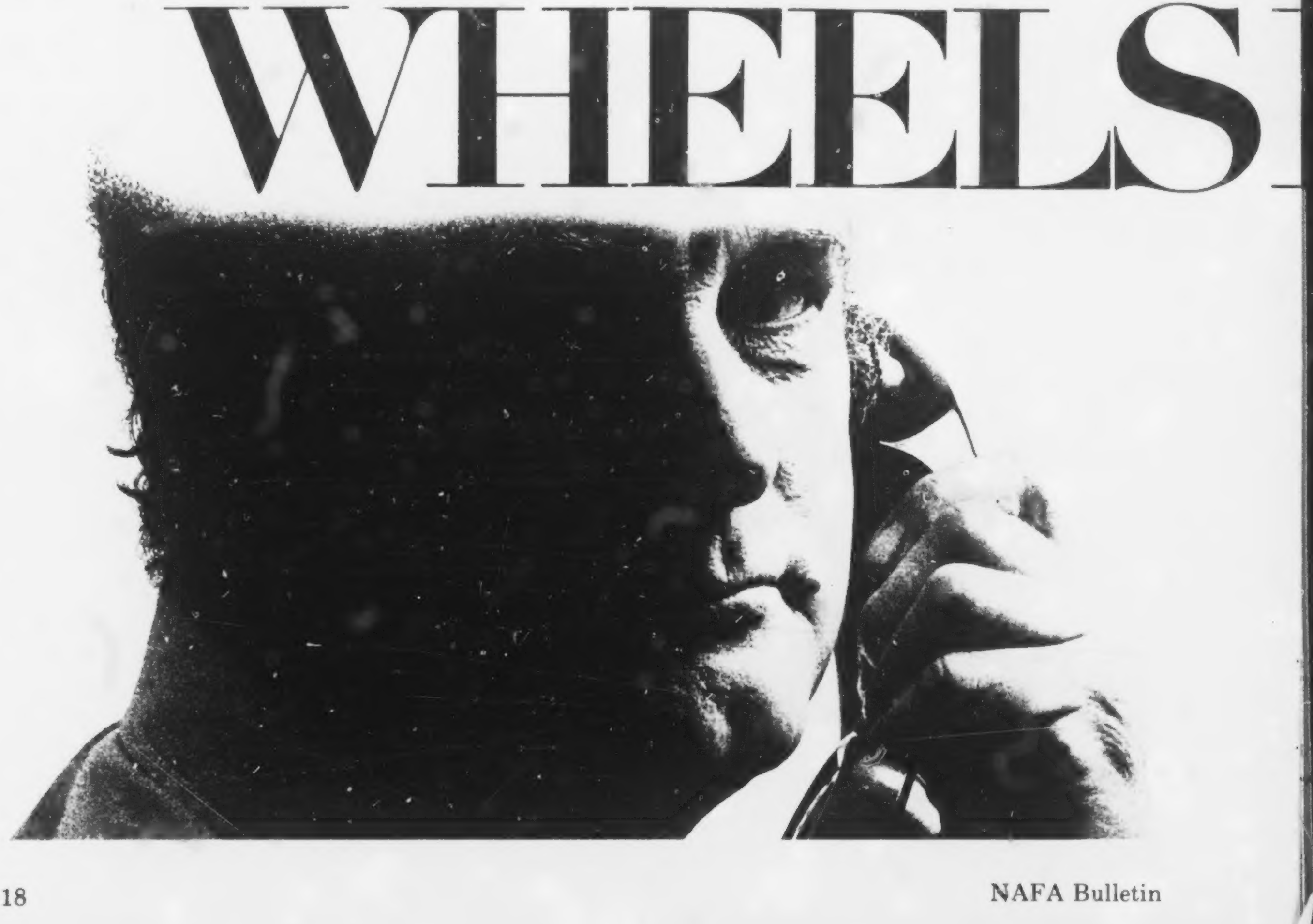
Only one fleet in the group reconditions its vehicles before they are sold; the other 21 fleets sell their vehicles "as is."

The public utility group has the distinction of keeping its cars longer and driving them further than any other segment of the survey. The average service life is 71.2 months at the time of sale, while average mileage is 88,684 miles.

Government

The Government Group consists of 27 fleets operating 23,079 passenger cars (22,679 agency-owned, 400 leased). The government fleets sold 6,408 vehicles in 1983, approximately 28 percent of the total stock.

Of the vehicles sold during the year, 87 percent were 1980 or earlier model cars; 8 percent were 1981 models; two percent were 1982 models, and three percent were 1983 models.



Ninety-eight percent of the government agency cars are sold through auctions. In a majority of the cases, the marketing is done through a public auction required by statute, rather than through a wholesale auto auction. Only one percent of the used cars are sold to government employees, and one percent are sold to used car dealers. One fleet trades a few cars to a new car dealer.

In 21 fleets the responsibility for marketing used cars to agency employees rests with the fleet administrator. Four fleets reported they use a fleet management service (in some cases it was another government agency such as the General Service Agency) that handles the disposition and sets the price. Condition and mileage are primary considerations, and they are the basis for setting an "upset bid price."

Six government fleets reported that they plan to change their replacement cycle in 1984. In five of the fleets, the move is to a longer cycle, while one reported it is going to decrease the service life from 84 months/60,000 miles to 60 months/80,000 miles.

The planned increases in service life cited were: 45 months/48,000 miles to 48 months/60,000 miles; 48 months/65,000 miles to 60 months/75,000 miles; 12 months or 60,000 miles to 18 months in one police fleet; 80,000 to 100,000 miles; 58 months/75,000 miles to 72 months/86,000 miles.

Among the fleets that don't plan to change their replacement policies, the shortest cycle mentioned was 24 months/70,000 miles while the longest was 10 years and 90,000 miles, although several fleets do have a 100,000-mile replacement policy without time limitation. The most frequent cycle for government fleets is 72 months and 60,000 or 70,000 miles.

Eight fleets in the group say they do some reconditioning before selling their used cars; the remainder say they market them in an "as is" condition.

The average service life for the government fleets in this survey was 52.4 months with 79,066 miles on the odometer when the cars were sold. ■

Editor's Note: We apologize for the awkward wording of the final question on the survey and extend our thanks to those members who attempted to provide an answer to an unanswerable question.

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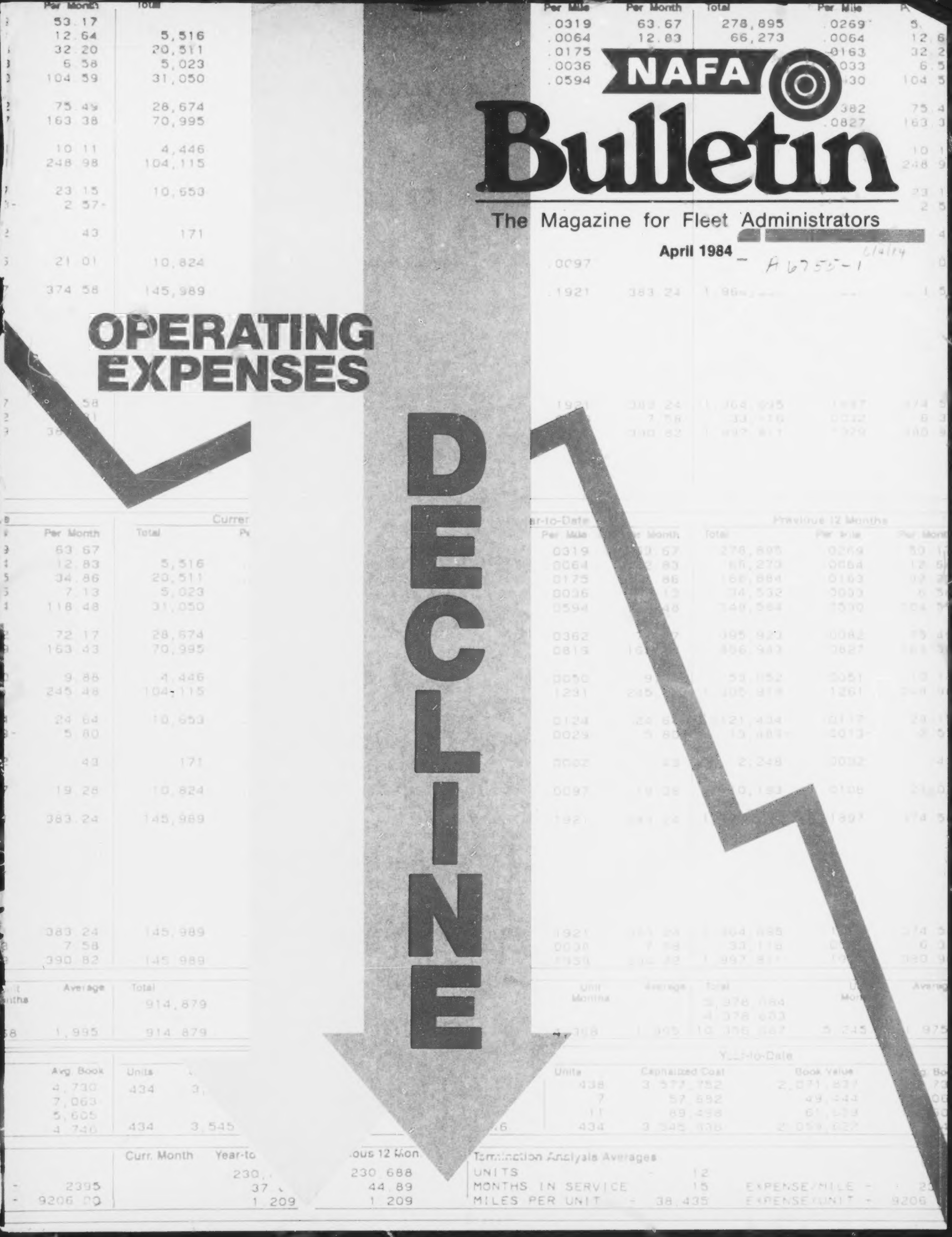

OPERATING EXPENSES

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The Magazine for Fleet Administrators
April 1984

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1983 NAFA Survey Results:

Fleet Operating Costs Fall Below 8¢ a Mile

NAFA Exclusive

Fleet operating expenses in 1983 declined for the second year in a row after 10 consecutive years of increases, according to the annual operating expense survey conducted by the National Association of Fleet Administrators, Inc.

A total of 85 fleets, operating more than 7[illegible],000 passenger cars, submitted data for the annual survey.

Operating expenses declined about two-thirds of a cent per mile in the "composite" fleet (those fleets that do not break out expenses by the size of car). Operating expenses declined about a penny per mile for compact cars, and approximately half a cent a mile for mid-size cars.

Using a figure of $1.235 for an average price of a gallon of fuel (the Runzheimer estimate which is exactly half-way between the estimates used by two large fleet management companies), average miles per gallon for compacts was 24.1; for mid-size cars the average miles per gallon was 20.05, and for the composite fleet it was 21.3.

NAFA Car Size Categories

Sub-Compact Cars: Wheelbase of less than 99 inches and a curb weight of under 2,199 pounds.

Compact Cars: Wheelbase between 100 and 104 inches and a curb weight of between 2,200 and 2,599 pounds.

Mid-Size Cars: Wheelbase between 105 and 108 inches and a curb weight of between 2,600 and 3,199 pounds.

Large Cars: Wheelbase of more than 108 inches and a curb weight of more than 3,200 pounds.

The results of the survey are based on NAFA's Recommended Classification of Automobile Expenses (see page 10). Under this accounting system, fleet costs are divided into three major categories:

Operating Expenses: These costs consist of all expenses directly related to running a vehicle — fuel, oil, tires and tire repair, and normal maintenance and repair. These expenses are computed in pennies per mile per car.

Incidental Expenses: These costs consist of licenses and taxes, accident repairs less recoveries, washing, parking and tolls, and miscellaneous expenses. These costs are computed on a dollars per car per month basis.

Standing Expenses: The final category consists of investment costs, either interest paid on purchases or leasing company service charges, depreciation reserve, insurance, and selling costs. Deducted from these expenses are depreciation adjustments (if any) after a vehicle is sold. The standing expenses are also expressed in dollars per car per month.

Subtracted from the incidental and standing expenses are chargebacks or credits for personal use and optional equipment acquired by the company car operator.

Composite Fleet

The largest segment of the survey response fell into the composite fleet group that consists of those fleets reporting total expenses without breaking out those expenses by car size grouping.

The actual make-up of the composite fleet in the 1983 survey is, two percent sub-compacts, 72 percent compacts, 24 percent mid-size, and two percent large cars. Seventy-eight percent of the cars in the group have four-cylinder engines; 20 percent have six-cylinder engines, and two percent have eight-cylinder power plants.

The fleets in this group provide well equipped cars for their operators. Ninety-nine percent are air conditioned, 97 percent have automatic transmission, and 100 percent have both power steering and power brakes.

The vehicles in the composite group were kept in service an average of 31.4 months and driven an average of 55,575 miles before being replaced.

Total operating expenses in 1983 amounted to .0793 cents per mile, down from .0861 in 1982. Operating expenses have declined more than a penny and half a mile from the 1981 operating survey results, primarily because of lower fuel costs (estimated at $1.235 during 1983) compared to $1.36 in 1982. Fuel economy for the group showed a slight increase in 1983, up from 21.1 in 1982 to 21.3 miles per gallon in 1983.

Tire expenses also continued to decline among the fleets in this group, while repairs and maintenance, as well as oil, showed slight increases over the past two years.

Incidental expenses showed a slight decline of less than 50 cents per car per month in 1983, primarily because of lower expenses reported for washing and parking and tolls. License and taxes, as well as accident repairs, increased in 1983.

> ***"Lower fuel costs, improved economy are major factors in overall decline in fleet operating expenses for all car size categories."***

For the first time in recent years, standing expenses showed a slight decline in 1983. Both service charges and depreciation reserves were less than in 1982, while the depreciation adjustment also dropped during the year.

Personal use chargebacks continued to increase, going up more than five dollars a month in 1983. Combined incidental and standing expenses were $228.77 in 1983, $16 a month less than in 1982, and two dollars below the 1981 figure.

Translating the total expenses into dollars gives a figure of $373.18 per month. Expressed in pennies per mile, the total cost is 20.5 cents a mile, exactly what the IRS allows for the first 15,000 miles when a driver deducts automobile expenses on an income tax return.

Mid-Size Cars

Total operating expenses for mid-size cars (vehicles with a wheelbase of between 105 and 108 inches and a curb weight of between 2,600 and 3,199 pounds) amounted to .0865 cents per mile in 1983. This is about half a cent less than the .0920 cents per mile reported in 1982.

The cost of fuel declined more than a penny per mile, but much of this saving was offset by a major increase in repair and maintenance costs (up to .0169 a mile in 1983, compared to .0105 in 1982).

(Continued on page 12)

Operating Expense Comparisons
Composite Fleets
1981 - 1983

	1981	1982	1983
Average Miles per Month	1,822	1,880	1,821
OPERATING EXPENSES			
(cents cost per car per mile)			
Fuel	.0745	.0643	.0579
Oil	.0012	.0011	.0016
Tires & Tire Repair	.0059	.0057	.0041
Repair & Maintenance	.0142	.0150	.0157
Total Operating Expenses	.0958	.0861	.0793
INCIDENTAL EXPENSES			
(dollar cost per car per month)			
License & Taxes	$ 6.23	$ 8.63	$ 9.95
Accident Repairs — Recoveries	8.65	7.39	8.85
Washing	5.04	6.14	4.12
Parking & Tolls	16.48	12.09	11.06
Miscellaneous	3.29	2.98	2.97
Total Incidental Expenses	$ 39.69	$ 37.23	$ 36.95
STANDING EXPENSES			
(dollar cost per car per month)			
Leasing Service Charge or Interest	$ 74.86	$ 76.38	$ 72.05
Depreciation Reserve	154.89	161.37	153.65
Depreciation Adjustment	-17.56	-23.06	-12.38
Selling Expenses	1.35	11.38	5.04
Insurance	21.27	23.94	20.96
Total Standing Expenses	$234.81	$250.01	$239.32
CREDITS			
(Dollar return per car per month)			
Personal Use Credit	$ 41.48	$ 42.28	$ 47.70
NET EXPENSES			
(Incidental expenses plus standing expenses less credits)	$230.87	$244.96	$228.77

NAFA's Recommended Classification of Automobile Expenses

OPERATING EXPENSES (expressed in cents cost per mile)

1. *Fuel.* Include additives, if allowed.
2. *Oil.* Include engine oil, oil additives, if allowed and oil changes. Do not include lubrication or filters.
3. *Tires.* Include purchase of replacement tires, snow and studded tires or cost of studding; deduct adjustments on returns. Include repairs, charges for rotation. Do not include balancing or alignment charges.
4. *Maintenance & Repair.* Include all mechanical and electrical repair, excluding repair of accidental damage. Include chassis lubrication, transmission and hydraulic fluids, filters, wheel balancing and alignment, brake adjustments and towing. Include all charges for regular maintenance and tune-ups. Maintenance & Repair is defined as "All actions taken to keep company vehicles operating at peak efficiency with minimum costs for parts and labor and minimum out-of-service time."

STANDING EXPENSES* (expressed in dollar cost per car per month)

Expenses incurred in automobile operation that have little or no direct relationship to the mileage a vehicle is driven. The items in this category sometimes are referred to as "Fixed Expenses" or "Non-Variable" expenses. They often are pre-determined and do not vary during the life of the vehicle. These expenses are best expressed in a dollar cost per car per month.

1. *Investment cost.* Include total capitalized cost of vehicle; deduct charges to employees for optional equipment.
    a. For leased fleets, use monthly rental payment.
    b. For company owned fleets, include interest on money used for purchases.
2. *Depreciation.* Include reserves established at pre-determined rate as well as adjustments after cars are disposed of. If insurance payments for work not performed are included in accident repairs, deduct from adjustments.
3. *Insurance.* Include all amounts actually paid to insurance premiums to provide coverage. Insurance is defined as "The protection purchased against claims of bodily injury or property damage (PD & PL) resulting from accidents; losses resulting from fire, theft, and vandalism. Premiums are usually based on previous experience and losses. Companies can 'self-insure' themselves against collision or medical losses by setting aside a periodic reserve for each car in operation."

INCIDENTAL EXPENSES (expressed in dollar cost per car per month)

Those expenses connected with automobile operation that do not occur on a regular basis, nor are they directly related to mileage or car use. The recommended procedure is to present these expenses in dollars per car per month.

1. *License & Taxes.* Include city and state licenses, Federal, state, and city taxes; personal property, sales, use, and rental taxes; registration and license fees; notary public fees; title and transfer fees; inspection fees; permits, and fees for duplicate titles.
2. *Accident Repairs.* Include all labor materials, towing and other expenses resulting from an accident. Deduct payments from insurance companies or others regardless of date of accident; include payments for work not performed.
3. *Washing.* Include all company-paid expense for washing, waxing, and polishing.
4. *Parking & Tolls.* Include all highway, ferry, tunnel, and bridge tolls. Include use of outside parking lots, parking meters, garages, and garage allowances.
5. *Miscellaneous.* Include any items related to the operation of the car not covered elsewhere, such as anti-freeze, flares, seat covers, floor mats, and chains.

---

* *Administrative expenses, if available, should be included in* **Standing Expense** *category. They would include salaries of fleet department personnel, share of corporate overhead (rent, light, heat, telephone, pro-rate cost of accounting, legal, finance departments, and other services needed for fleet operation).*

Operating Expense Survey

(Continued from page 9)

The average miles per gallon consumption of mid-size cars continued to increase in 1983, reaching 20.5, compared to 18.2 in 1982, and 17.3 in 1981.

The cars in the mid-size group were kept in service an average of 26.3 months and driven 58,166 miles before being replaced.

Six percent of the cars in this group were equipped with four-cylinder engines; 82 percent had six-cylinder engines, and 12 percent had V-8 engines.

Every car in the group was equipped with air conditioning, power brakes, and power steering. More than 99 percent also had automatic transmissions.

Compact Cars

Operating expenses for compact cars fell below seven cents a mile for the first time in many years. They were above nine cents a mile in 1981, and just below eight cents a mile in 1982.

Cars in this group (a wheelbase of between 100 and 104 inches and a curb weight between 2,200

(Continued on page 14)

Operating Expense Comparisons 1981 - 1983

Mid-Size Cars

	1981	1982	1983
Average Miles per Month	1,799	2,027	2,236
Fuel	.0781	.0748	.0616
Oil	.0010	.0014	.0016
Tires & Tire Repair	.0064	.0053	.0064
Repair & Maintenance	.0118	.0105	.0169
Total Operating Expenses	.0973	.0920	.0865
Average price per gallon of fuel	$1.35	$1.36	$1.235
Average miles per gallon	17.3	18.2	20.05

Compact Cars

	1981	1982	1983
Average Miles per Month	1,794	2,339	2,153
Fuel	.0725	.0627	.0517
Oil	.0011	.0015	.0017
Tires & Tire Repair	.0052	.0040	.0035
Repair & Maintenance	.0123	.0112	.0126
Total Operating Expenses	.0911	.0794	.0695
Average price per gallon of fuel	$1.35	$1.36	$1.235
Average miles per gallon	18.6	21.8	24.1

Cost-Effective Tire Management

The following article, based on material prepared by Matt Strong of Sumitomo Tire, focuses on cost-effective ways to reduce tire and tire repair expenses.

Fleet managers will be surprised at how much money they can save through proper tire management.The first step to cutting tire costs, though, is not to spend less on tires, but to understand the concept of cost per mile (cpm). To calculate cpm, add the initial price and maintenance costs of your tire, subtract the trade-in value, and then divide by the number of miles you've driven.

Proper tire maintenance is more a matter of watching little things than of handling major problems. Besides repair and retreading, the main areas of concern are tire pressure, rim assembly and total vehicle alignment.

Maintaining correct tire pressures could reduce tire costs by 20 percent. Incorrect pressures often cause major tire problems; low pressures hasten heat generation and tire casing degredation or failure, while high pressures lead to impact damage, spot wearing and vehicle suspension damage. Both can cause irregular wear patterns. It is important to review load/inflation tables and have your fleet's tire pressures checked frequently.

Damaged casings should be fixed immediately. Keep in mind that, due to the risk of oxidation, it's vital to repair steel radial tires right away. Pulling tires for retreading before they reach 4/32" of tread depth will save casings and assure a higher degree of retreadability.

Vehicle Alignment

In terms of vehicle alignment, the first step is to assure that the axles are perfectly perpendicular. Therefore, the tires will be parallel to it. Then measure component-to-component distances and assure that they are equal from side to side. This is especially critical after a wreck or axle/suspension repairs.

Vehicle alignment is actually a category all by itself. Just a quarter inch out of specification can easily reduce tread life 25 percent. The most important thing here is to follow the manufacturer's specifications **to the letter**.

Other Factors that Affect Tire Life

There are many other factors besides vehicle alignment that shorten the life of a tire, including such well-known problems as worn out springs, shock absorbers and bushings, as well as loose chassis and grabbing brakes.

Keep in mind that left front tires wear faster than right front tires by about 15 to 20 percent on a front-wheel drive car. Driving and turning causes excessive wear on the front tires. Remember to install tires in the colder part of the year (fall and winter); you'll increase tread life 12 to 15 percent over installing them during the hotter periods.

Finally, and most importantly, keep records. The best teacher is experience, and once you apply these tips to your fleet's tires you will quickly see how much money you can save.

Operating Expense Survey

(Continued from page 12)

and 2,599 pounds) averaged 24.1 miles per gallon in 1983, an increase of more than two miles a gallon from the 1982 report, and a remarkable increase of almost six miles per gallon since the 1981 survey results were published.

Ninety percent of the cars in the compact group have four-cylinder engines; the remaining 10 percent are powered by six-cylinder engines. Every car in the group is equipped with power steering and power brakes while 99 percent have air conditioning and automatic transmissions.

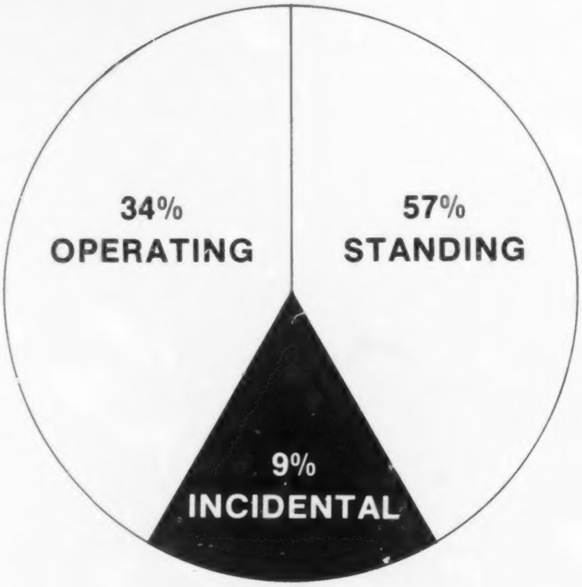
The cars in the compact group were kept in service an average of 29.1 months and driven 61,746 miles before being replaced.

Canada

Canadian fleets participating in the annual operating expense survey had far higher expenses than United States' fleets. The average for the group was slightly more than 13 cents a mile. The largest portion of this, of course, was for fuel, almost 10 cents a mile. This figure is based on an average cost of 50 cents a liter which translates to approximately $1.90 a gallon.

Fleet expenses in Canada were also higher for oil, tires, and repairs and maintenance; every category of operating expenses.

COMPOSITE FLEET BREAKDOWN OF EXPENSES



Does Not Reflect Personal Use or Equipment Credits

Fifty-five percent of the Canadian fleet consists of compacts; 42 percent are mid-size cars, and three percent are large cars. One third of the Canadian cars in the survey have four-cylinder engines; 66 percent have six-cylinder engines, and one percent have eight cylinder engines.

Seventy-eight percent of the Canadian cars are air conditioned; 99 percent have automatic transmission; and 100 percent have both power steering and power brakes.

The Canadian cars were kept in service an average of 32 months and driven 49,491 miles before being replaced. ■

Operating Expenses Canada

Average Miles per Month	1,780
Fuel	.0979
Oil	.0026
Tires & Tire Repair	.0080
Repairs & Maintenance	.0221
Total Expenses	.1306
Average price per gallon of fuel	$1.90
Average miles per gallon	19.4

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Highway Loss Data Institute Reports:

1983 Domestic 4-Door Models Had Lowest Collision Loss Experience

THE HIGHWAY LOSS Data Institute (HLDI) is a nonprofit, public service organization that gathers, processes, and publishes insurance data concerned with human and economic losses associated with motor vehicle use and especially the ways such losses vary among different kinds of vehicles.

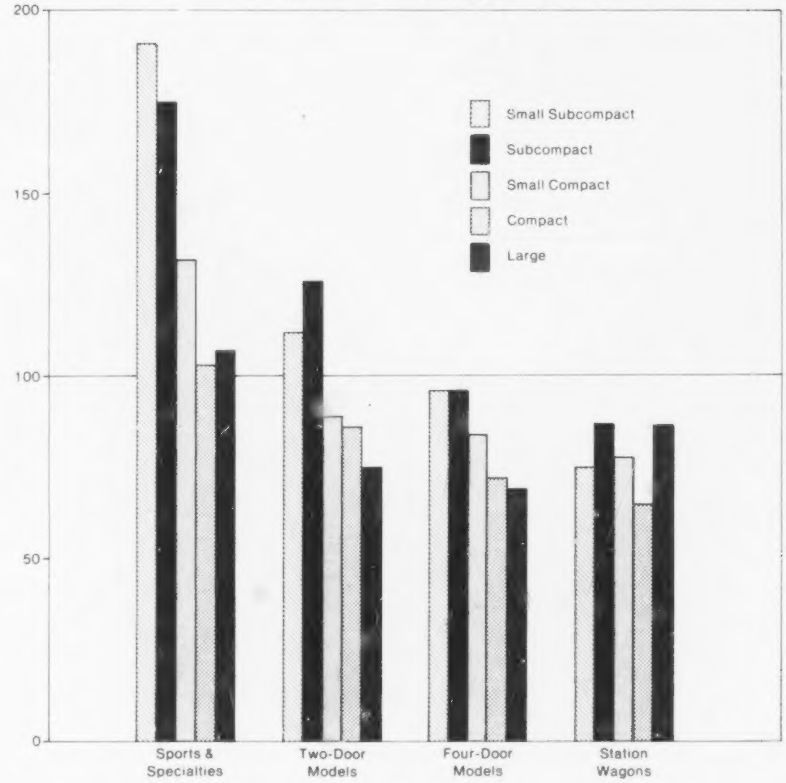
The Institute's current report describes the collision coverage loss experience of 1983 models during their first year of availability, 1982 models during their first two years, and 1981 models during their first three years.

This report is based on collision coverage and loss data supplied by eleven insurers: Aetna, Allstate, GEICO, Kemper, Liberty Mutual, Nationwide, Prudential, Safeco, State Farm, Travelers, and USAA.

The principal findings of the January 1984 report by the Highway Loss Data Institute are:

- Among the high-volume 1983 cars, the four-door Mercury Grand Marquis had the best collision coverage loss experience and the Chevrolet Camaro the worst. Among the low-volume cars, the Datsun 280ZX had the worst results and the American Eagle 30 station wagon the best.
- All eleven 1983 model year cars with the best collision coverage loss experience were either regular four-door models or station wagons and all but one were domestic models.
- The 1983 model year cars with the worst collision coverage loss experience were all either regular two-door models or sports or specialty models and eleven of the twelve were imported models.
- Two-door models consistently had higher collision losses than comparably-sized four-door models and station wagons.

FIGURE 1


Collision Coverages
Relative Average Loss Payments Per Insured Vehicle Year
1983 Model Year Passenger Cars

- The two-door models of the Honda Civic and Honda Accord for 1983 were among the cars with the worst collision coverage loss results, in contrast with prior model years in which these cars had consistently better than average results. The poor loss experience for the 1983

(Continued on page 22)

HLDI Report

(Continued from page 20)

Honda models basically results from substantial increases in claim frequencies and slight decreases in the average loss payments.

- Among the vans, pickups, and utility vehicles, small utility vehicles and small pickups had the highest average loss payments per insured vehicle year. Vans and large utility vehicles had the lowest.
- For utility vehicles, the claim frequencies tended to *increase slightly with increasing* vehicle size, but the average loss payments per claim were much larger for the small utility vehicles. All utility vehicles had better than average claim frequencies, but most of the small and intermediate utility vehicles had average loss payments per claim which were worse than average.

Passenger Cars

The results for the 1983 model passenger cars were based on 780,000 insured vehicle years of exposure, those for the 1982 models on over three million insured vehicle years, and those for the 1981 models on nearly six million insured vehicle years. Generally, the greater the exposure associated with a result, the more confidence can be placed in it.

1983 Models During Their First Year

Table 1 summarizes the 1983 model year passenger cars with the best and worst collision coverage loss experience during their first year of availability. The cars listed were taken from the 157 individual 1983 vehicle series which had more than 1,000 insured vehicle years of exposure. Twenty-two of those series were high-volume cars, each accounting for at least one percent of the total 1983 model year exposure.

> ***"As in previous years, the cars with the worst collision coverage loss experience were either regular two door models or sports or specialty models."***

Among the high-volume cars, the four-door Mercury Grand Marquis (61) had the best collision coverage loss experience. Among low-volume cars, the American Eagle 30 Station Wagon (55) had the lowest average loss payment per insured vehicle year. Of the eleven series with the best collision coverage loss experience listed in Table 1, eight were regular four-door models and the other three were station wagons. Ten of the eleven were manufactured in the United States.

TABLE 1

Relative Average Loss Payments Per Insured Vehicle Year for 1983 Model Year Cars With the Best and Worst Collision Coverage Loss Experience*

	Best			Worst		
HIGH VOLUME (At least 1% of total exposure)	Mercury Grand Marquis	4 Dr	61	Chevrolet Camaro	Sp	174
	Buick LeSabre	4 Dr	63	Toyota Celica	2 Dr	132
	Oldsmobile Ciera	4 Dr	63	Toyota Corolla	2 Dr	129
	Ford Escort	S.W	70	Nissan Sentra	2 Dr	119
	Chevrolet Caprice	4 Dr	70	Honda Accord	2 Dr	117
				Honda Civic	2 Dr	117
LOW VOLUME (Less than 1% of total exposure)	American Eagle 30	S.W	55	Datsun 280ZX	Sp	226
	Chrysler New Yorker	4 Dr	57	Porsche 944 Coupe	Sp	220
	Toyota Tercel 4WD	S.W	57	BMW 320i	Sp	217
	Buick Electra	4 Dr	61	Datsun 280ZX 2 + 2	Sp	216
	Ford Crown Victoria (Ford LTD)	4 Dr	64	Mazda RX-7	Sp	183
	Buick Regal	4 Dr	64	Dodge Challenger	2 Dr	183

*100 represents the average for all 1983 cars ($129)

Half of the cars listed with the worst collision coverage results were sports or specialty models and the other half were small two-door models. All but one of the twelve were imported models.

Figure 1 shows the average loss payments per insured vehicle for 1983 models by car size and body style group — sports and specialty models, regular two-door models, regular four-door models, and station wagons. These results are presented *relative to the result for all 1983* cars combined, with the value 100 representing the average loss payment per insured vehicle year of $129.

Figure 1 also shows the sports and specialty models of all sizes and the small two-door models had average loss payments per insured vehicle year which were higher than the average for all 1983 models combined; the small subcompact and subcompact sports models had particularly bad collision coverage loss experience. In addition, **Figure 1** reveals that regular two-door models generally had higher average loss payments per insured vehicle year than regular four-door models and station wagons of the same size.

1982 Models During Their First Two Years

The 1982 model year passenger cars with the best and worst collision coverage loss experience during their first two years of availability were taken from the 211 individual 1982 vehicle series which had more than 1,000 insured vehicle years of exposure.

Among the high-volume cars, the four-door Oldsmobile Delta 88 had the lowest average loss

(Continued on page 24)

Highway Loss Data Institute

Definitions

Average Loss Payment per Claim — the total of all loss payments made for the claims for a group of vehicles, divided by the number of claims paid; expressed as dollars per claim.

Average Loss Payment per Insured Vehicle Year — For a group of vehicles, the product of Claim Frequency and Average Loss Payment per Claim, divided by 100; expressed as dollars per insured vehicle year. It should be noted that this definition differs from the commonly used insurance term, pure premium, but yields similar results.

Claim Frequency — The number of claims for a group of vehicles, divided by the exposure for that group; expressed as claims per one hundred insured vehicle years.

Collision Coverages — As defined in insurance contracts, the coverage under which people insure their own vehicle against loss caused by collision.

Deductible Amount — That portion of the collision damage cost borne by the policyholder. For computing results, deductible amounts are split into two groups: less than $150 (mainly $50 and $100 deductibles) and greater than or equal to $150 (mainly $200 and $250 deductibles).

Exposure — The time interval an individual vehicle is insured. Exposure for a group of vehicles is expressed in units of insured vehicle years.

Loss Payment — That portion of the collision damage cost borne by the insurer; in general, the total collision damage cost minus the deductible amount.

Operator Age Group — The factor which distinguishes those vehicles whose rated driver is youthful from those vehicles whose rated driver is not youthful (see Youthful Operator).

Rated Driver — the driver who, for insurance purposes, is considered to represent the greatest loss potential for the insured vehicle.

Vehicle Class — There are four vehicle classes, defined as follows:

1. **Passenger Cars** — There are four major body style groupings of passenger cars — regular two-door models, regular four-door models, station wagons, and sports and specialty models. Sports and specialty models include all two-seater cars, all convertibles, those cars larger than subcompacts which have two-door models only, and all luxury cars. Each body style group is further divided into size class subgroups as follows:

   Small Subcompact — Cars with wheelbases less than or equal to 96 inches.

   Subcompact — Cars with wheelbases greater than 96 inches and less than or equal to 106 inches.

   Compact — Cars with wheelbases greater than 106 inches and less than or equal to 111 inches.

   Large — Cars with wheelbases greater than 111 inches.

2. **Vans** — Fully enclosed vehicles with either no hood or a very short hood, in which the engine is placed at least 50 percent behind the windshield. The driver's position is usually well forward, nearly beside the engine, usually within the for-

(Continued on page 24)

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HLDI Report

(Continued from page 22)

payment per insured vehicle year. All five of the low-volume cars with the best results had average loss payments per insured vehicle year which were slightly more than one-half the result for all 1982 cars combined. Nine of the ten cars with the best collision coverage loss results were either four-door models or station wagons and all ten were manufactured in the United States.

All of the 1982 models with the worst collision coverage loss experience were sports or specialty models or small two-door models, and six of the ten were imported.

1981 Models During Their First Three Years

The 1981 model year passenger cars with the best and worst collision coverage loss experience during their first three years of availability were taken from the 203 individual 1981 vehicle series which had more than 1,000 insured vehicle years of exposure.

As with the 1982 models, all but one of the cars with the best collision coverage results were four-door models or station wagons, and all those with the worst results were sports or specialty models or small two-door models. All of the cars with the best experience were domestics and most of those with the worst results were imports. ■

HLDI Definitions

(Continued from page 23)

ward 25% of the wheelbase. These vehicles are designed for cargo transport and are equipped with a right side cargo access door and rear doors. The cargo area is not separated from the passenger area — both are enclosed under the same roof. Some passenger vans are equipped with additional seats in the cargo area and usually have additional side windows also.

3. Pickups — Cargo-carrying vehicles, usually on a truck chassis, with an enclosed cab and a separate open cargo area. The open cargo area generally is a box with raised sides with an opening tailgate. There are also a small number of auto pickups which are similar to regular pickups except that they are built on a passenger car chassis. Pickups are further divided into two subgroups based on curb width — small pickups (less than 3,000 pounds) and standard pickups (3,000 pounds or more).

4. Utility Vehicles — Vehicles built on a heavy-duty chassis capable of off-road use. They are of conventional construction with the driver behind the engine. The cargo and passenger areas are integral with the driver area. Many of these vehicles are equipped with soft or removable tops. Frequently, these vehicles are equipped with four-wheel drive. Utility vehicles are further divided into three subgroups based on wheelbase — small utility vehicles (less than 100 inches), intermediate utility vehicles (from 100 to 120 inches), and large utility vehicles (greater than 120 inches).

Vehicle Identification Number (VIN) — A code, variously comprising both numbers and letters; normally, 8 to 17 characters in length, assigned to each vehicle by its manufacturer. The VIN uniquely identifies the vehicle within at least a ten-year time span and, in recent model year vehicles, contains coding which identifies the make, series, model year, and other characteristics of each vehicle.

Vehicle Series — A name denoting a family of vehicles, within a make, with the same wheelbase and a degree of commonality in construction such as body, chassis, etc.

Youthful Operator — For the purpose of this report, all males (married or single) under 25 years of age and all unmarried females under 25 years of age. ■

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National Economic Policy:

Leasing Helps Create New Jobs; Stimulates Business Investment

The leasing of capital equipment in the motor vehicle industry has expanded so rapidly in recent years that it now represents one of the most important sources of financing for the acquisition of capital equipment.

According to a report on lease financing by Andrew Brimmer, a former member of the board of the Federal Reserve, many companies which are unable to take advantage of the tax benefits associated with the purchase of new equipment, look to leasing as a means of lowering their cost of capital.

The report, commissioned by the General Electric Credit Corporation (GECC), explains the current strategies behind the growing use of leasing as a financing tool. Leasing companies like GECC can apply incentives, such as accelerated depreciation and investment tax credits, often charging depreciation and investment tax credits, at rates below what the company would pay if purchasing the equipment outright.

The study points out that companies in the motor vehicle industry enjoy the further advantage of improving their cash flow by avoiding the high cost of tying up their cash in equipment purchases. "This money could be put to better uses, such as working capital, research and development, or acquiring short-term financial assets," explained Gary Wendt, vice president of GECC. "What's more, compared with bank loans, leasing typically requires a smaller down payment and fewer restrictions. Plus, many lease arrangements included maintenance and repair services."

The following article, based on an Executive Summary of the Brimmer report, focuses on the economic benefits of lease financing and its impact in the motor vehicle industry.

Traditional guideline leasing constitutes a major source of capital for American industry. This method of financing has helped to expand the availability of funds — and to reduce the cost of credit — to many segments of American business, which would otherwise find it difficult to obtain the equipment and facilities needed for expansion.

These general conclusions are derived from a comprehensive assessment of the role which lease financing plays in capital formation in the United States. The study is based on a newly collected body of statistical and other information which made it possible to describe the pattern and magnitude of lease financing in American industry in recent years.

Economic Incentives for Lease Financing

The acquisition of capital equipment through leasing has expanded substantially in recent years. This is primarily a reflection of the increased appreciation of the economic benefits provided by this source of financing. The tax incentives introduced in the 1950's and 1960's — designed to encourage investment spending — gave a strong boost to leasing. The reason is straightforward: **Leasing lowers the cost of capital to many businesses while providing tax benefits to lessors who bear the risk of ownership.** If a firm needing equipment faces a tax situation which precludes its taking advantage of accelerated depreciation or the investment tax credit, it can lease the equipment from another company which can use the tax benefits. The availability of tax benefits to the leasing company enables the latter to charge rents below the cost to the user of purchasing the equipment.

Beyond tax incentives, however, a number of other economic factors make leasing an attractive financial instrument for many companies. These include the high cost of tying up cash in equipment

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purchases that might be better employed in other uses such as the provision for working capital or to acquire short-term financial assets. Moreover, compared with the use of bank loans to purchase equipment, leasing requires a smaller down payment and typically involves fewer restrictions. Many lease arrangements also include the added value of maintenance and repair services.

Costs of Leasing: Public Policy Perspective

The benefits of leasing (particularly the tax savings) accrue primarily to the lessor and lessee, the principal parties to the transaction. The counterpart of these private tax savings is the loss of tax revenue by the federal government. This loss of tax revenue is roughly equivalent to expenditures of Federal funds, and they are computed and accounted for as "tax expenditures." For instance, in fiscal year 1982, total tax expenditures were calculated at $253.5 billion. Of this amount, $198.4 billion were benefits to individuals, and the remaining $55.1 billion (21.8 percent of the total) were benefits to corporations.

> ***"The loss of tax revenue is commonly known as a 'tax expenditure.' Benefits, such as leasing, to corporations amounted to $55 billion in 1982. Benefits to individuals amounted to $198 billion in the same year."***

These benefits to business enterprises represent a direct reflection of the express intent of Congress to provide benefits and incentives — through the Tax Code — for companies to undertake certain types of economic activity. The most important of these specific objectives is the stimulation of investment in new plants and equipment. The tax benefits derived from leasing have been a major source of support for this new investment.

For instance, in fiscal year 1982, tax benefits associated with all lease financing are estimated at $6.7 billion. This figure represented 31.4 percent of total tax benefits generated by capital expenditures. The leasing-related benefits were divided into those associated with traditional guideline leasing ($4.0 billion) and "safe harbor" leasing

($[illegible].7 billion). Thus, despite the large but transitory impact of "safe harbor" leasing, the traditionally used guideline leasing accounted for 60 percent of the tax benefits derived from leasing. Consequently, lease financing clearly has an important — and growing — role in the promotion of new capital investment. Its share of tax benefits appears to be an accurate reflection of the contributions this type of financing makes to total investment expenditures.

Lease Financing of Business Investment

Lease financing has expanded to the point where it is the most important single source of funds to support business expenditures for capital equipment. For example, as shown in Table 1, in 1982, spending on business fixed investment amounted to $347.6 billion. This total was divided into outlays for structures ($141.4 billion) and producers' durable equipment ($206.2 billion). In the same year, equipment leasing is estimated at $57.6 billion. At this level, lease financing was equal to 16.6 percent of total business fixed investment. It also represented 27.9 percent of outlays for producers' durable equipment.

Moreover, during the last few years, leasing has risen faster than total capital expenditures. Lease financing as a proportion of the latter climbed from 14.1 percent in 1980 to 16.1 percent in 1981, and to 16.6 percent last year. During 1983, the fraction is projected to rise further to 18.7 percent.

These estimates suggest that leasing is a more important source of funds to meet business capital requirements than either new equity issues, corporate bonds, commercial bank loans, or commercial mortgages. Leasing is at least five times as important as new equities or commercial mortgages and nearly 1½ times as important as corporate bonds and commercial bank loans.

Lease Financing: Industry Profile

While leasing finances about one-sixth of business fixed investment across American industry taken as a whole, the proportion is much higher for a number of important types of equipment. The broad pattern and extent of reliance on leasing can be seen in Table 2, which shows capital expenditures and lease financing of selected types of equipment in 1982.

Capital expenditures for aircraft are the most heavily dependent on lease financing. In 1982,

(Continued on page 36)

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such expenditures came to $4.0 billion, and leasing provided $1.8 billion (45.0 percent) of this amount. Second in line were railroads, where $700 million in leasing accounted for 35.0 percent of capital outlays. Close behind were motor vehicles. Businesses spent $30.1 billion for this type of equipment and $9.3 billion (30.9 percent) was provided by leasing. In the case of shipping, nearly one-quarter (22.6 percent) of the value of newly produced non-military vehicles was covered by leasing.

Capital outlays for computers amounted to $34.0 billion in 1982. Leasing supplied $5.0 billion (14.7 percent) of the required financing. Spending on agricultural equipment came to $13.3 billion. However, lease financing has not made much headway in this sector, and it accounted for only 5.3 percent.

Leasing, Investment and Employment

Leasing makes a major contribution to the creation of new jobs in the American economy. This contribution arises primarily through the support of business spending on new plants and equipment. Such outlays stimulate the demand for capital goods and for a variety of related products and services. As output rises to meet these demands, labor requirements increase, and new jobs are created.

> ***"More than 30 percent of the $30 billion spent for motor vehicles in 1982 was financed by leasing — $9.3 billion dollars."***

For example, lease financing of computers and equipment is estimated to have stimulated the creation of about 177,000 new jobs in 1981. Among the eight types of equipment studied, the number of new jobs ranged from just over 40,000 in construction machinery and equipment to more than 308,000 in transportation equipment.

Concluding Observations

The results of this study lead to several important conclusions: traditional guideline leasing does derive a part of its appeal to investors from the Federal income tax benefits associated with the capital expenditures financed under this type of arrangement. However, those benefits are an integral part of the series of tax incentives which the Federal Government has provided to help achieve a variety of worthwhile public purposes. And among the latter, the stimulation of investment and the creation of new jobs have been given the highest priority on the agenda of national economic policy. ■

Table 1
Financing Business Investment, 1980-1983
(Amounts in Billions of Dollars)

Category	1980	1981	1982	1983 F
Business Fixed Investment	309.2	346.1	347.6	327.9
Structures	110.6	129.7	141.4	130.2
Producers' Durable Equipment	198.6	216.4	206.2	197.7
Selected Sources of Funds				
Equipment Leasing	43.5	55.5	57.6	61.2
Corporate Equities	12.9	-11.5	1.7	8.5
Corporate Bonds	32.9	35.6	42.0	42.4
Commercial Mortgages	20.7	-1.1	-0.8	6.9
Commercial Bank Loans	29.3	42.8	38.7	-7.4
Sources of Funds as a Percent of Business Fixed Investment				
Equipment Leasing	14.1	16.1	16.6	18.7
Corporate Equities	4.2	-3.3	0.5	2.6
Corporate Bonds	10.6	10.3	12.1	12.9
Commercial Mortgages	6.7	-0.3	-0.2	2.1
Commercial Bank Loans	9.5	12.4	11.1	-2.2

F = Forecast

Source: Compiled and calculated by Brimmer & Company. Data on business fixed investment from U.S. Department of Commerce, Bureau of Economic Analysis. Data on sources of funds from the Board of Governors of the Federal Reserve System. Data on equipment leasing calculated by Brimmer & Company, based on the American Association of Equipment Lessors, *Annual Survey*, 1980, 1981, 1982.

Table 2
Capital Expenditures and Lease Financing of Selected Types of Equipment, 1982
(Amounts in Billions of Dollars)

Category	Capital Expenditures	Lease Financing	
		Amount	Percent of Capital Expenditures
Computers	34.0	5.0	14.7
Railroads — Class I	2.0	0.7	35.0
Motor Vehicles	30.1	9.3	30.9
Aircraft[1]	40.0	1.8	45.0
Shipping[2]	3.1	0.7	22.6
Agricultural Equipment[3]	13.3	0.7	5.3

[1] Capital leases plus tax benefit transfers.

[2] Capital expenditures consist of the value of newly produced non-military vessels.

[3] Farm gross capital expenditures ($12.6 billion) plus new leases of equipment ($0.7 billion), 1981.

Source: Estimates by Brimmer & Company

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NAFA Bulletin

The Magazine for Fleet Administrators
May 1984

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Keynote Speaker Diane Steed of NHTSA calls for action from members and affiliates to promote highway safety by implementing a seat belt policy and purchasing airbags.

20 **Johnson's Message: Make Your Voice Heard on Legislation**
Jim Johnson of Xerox urges you to be aware of the issues and suggests that you voice your opinion to your elected officials on issues that concern you, as an individual, or effect your company or job.

24 **Fleeting Through Five Levels of Management: How to Graduate From "Flunky" to "Professional"**
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NAFA Opposes H.R. 1415:

Elimination of Incentive Programs Poses Serious Threats to Economy

On Thursday, April 5, 1984, Robert Berke, executive director, NAFA, submitted testimony on behalf of its members on proposed legislation H.R. 1415. The following is NAFA's statement to the Commerce, Transportation, and Tourism Sub-Committee of the Energy and Commerce Committee, U.S. House of Representatives, explaining its opposition to those provisions of H.R. 1415, and is based on the survey results NAFA sent to its members.

ON BEHALF OF the members of the National Association of Fleet Administrators, Inc., I appreciate this opportunity to appear before the subcommittee. My purpose is to explain our opposition to those provisions of H.R. 1415 that would prohibit fleet incentive programs, allowances, and guaranteed depreciation or resale programs now being offered by automobile manufacturers.

About the Association

The National Association of Fleet Administrators, Inc., is a not-for-profit individual membership society of some 2,400 members and affiliates in the United States and Canada.

The members are working fleet managers employed by corporations and government agencies. NAFA members are not employed by firms engaged in the sale, rental, or lease of motor vehicles. They are the operators of motor vehicle fleets used in the conduct of business. At the present time these fleets consist of nearly 1,400,000 vehicles including more than 850,000 passenger cars.

Within the Association's membership, approximately 70 percent of the vehicles are used for sales-related purposes; 25 percent are service vehicles, and approximately five percent are used for deliveries.

The Association's affiliates are suppliers of essential products and services that are used by fleets and fleet managers. It should be pointed out that of the Association's 760 affiliates, 284, or 37 percent, are new car dealers. They have active fleet sales departments and staffs who are constantly seeking business from both corporate and leased fleets.

The Fleet Manager's Job

The fleet manager's responsibilities fall into three distinct categories, although all three are closely interrelated. They are: 1) the acquisition of new vehicles; 2) the efficient, economic, and safe operation of these vehicles, and 3) the eventual replacement of the used vehicles that enables the cycle to start over again.

> ***"If incentive or allowance programs are prohibited, it will reduce competition between manufacturers, lessen the choices offered a rational car buyer, and reduce the number of vehicles purchased during a model year."***

The fleet manager, either for a corporate fleet that buys its own cars or one who works with a leasing company, is a rational professional car buyer. He or she carefully considers a number of factors before choosing the specific models that will go into the fleet. These factors include initial cost, economy of operation, and depreciation or resale value when the car is sold. It can be truthfully said that the fleet manager is the only new car buyer who considers the eventual used car value of his purchase before he buys.

In addition to these tangible considerations, the fleet manager must also take into consideration questions of employee morale and comfort because the car, in many cases, is the employee's office. This is one reason why option packages of comfort and convenience items are so important to the fleet buyer.

The Fleet Market

The fleet market is normally considered to consist of those firms or government agencies that register 10 or more new vehicles a year. It is divided into three segments: commercial fleets, or those that are company owned; rental and leased fleets, and government fleets.

According to our information, during the first 11 months of 1983, the fleet market acquired just under 1,100,000 new passenger cars. The rental and leasing segment accounted for about 79 percent of the new car acquisitions; corporate fleets, 15 percent, and government fleets, six percent.

H.R. 1415

As we understand the proposed legislation, its primary purpose is to protect the franchised new car dealer by preventing the automobile manufacturer from selling or offering to sell a motor vehicle at a lower price than such a vehicle is sold or offered for sale to the franchised new car dealer.

The advocates of the proposal claim that fleets get these lower prices through incentive programs, rebates, allowances, and guaranteed resale or depreciation rates, with the result that the franchised new car dealer is prejudiced.

Based upon factual information we have gathered and will share with you, these claims misrepresent the purpose of the incentive programs.

The incentive or allowance programs have one essential purpose: They enable the manufacturers to compete on equal terms with one another.

If these programs are prohibited, it will reduce competition between manufacturers, lessen the choices offered a rational car buyer, and, in some cases, reduce the number of vehicles purchased during a model year. In addition, in the opinion of many, it will increase the market penetration of imported cars to the detriment of American manufacturers.

The Association's Survey

Late in January, in preparation for this testimony, we sought to get the views of the Association's members. Our purpose was to make a presentation based on the facts of the fleet market and the incentive programs. We mailed a brief questionnaire to all Full Members of the Association in the United States. Within three weeks we received 332 responses from a total mailing of 1,065, a 30 percent response which we believe is a representative sample of the nation's corporate fleets.

How H.R. 1415 Differs From Amended Bill H.R. 5305

The sponsor of H.R. 1415 has withdrawn the bill and substituted a new one, H.R. 5305. There are only minor changes in the wording of the bill, but nothing that changes the impact of the proposal as far as fleets are concerned.

The critical part of the bill that was changed is under SEC. 1A (a). H.R. 1415 stated that "Each franchise agreement between an automobile dealer and automobile manufacturer shall be deemed to prohibit the manufacturer (or any agent of the manufacturer) — "(1) from selling or leasing, and from offering to sell or lease, any passenger car, truck, or station wagon to any person (including any other automobile dealer) during any period of time at a price which is lower than the price at which the same model of passenger car, truck or station wagon, similarly equipped, is sold or leased, or offered for sale or lease, to such automobile dealer during the same period."

The amended bill H.R. 5305 now reads: Sec. 2 "No automobile manufacturer may sell or lease any new automobile in interstate commerce, or offer to sell or lease any new automobile in interstate commerce, to any person (including an automobile dealer) during any sales period at a price which is higher than the lowest price at which any other automobile of the same model, similarly equipped, is sold or leased, or offered for sale or lease, by the manufacturer during that sales period.

These fleets operate 287,714 passenger cars. During 1984 they plan to acquire 86,118 new cars, a replacement rate of 30 percent of their fleet vehicles, representing an investment of nearly one billion dollars.

Only six of the 332 responding fleets did not participate in one or more of the incentive programs now offered by the automobile manufacturers.

The average value of these incentive programs or allowances amounted to $460.18 per car in leased fleets, and $425.69 in company-owned fleets.

According to the responding fleets, the average price or capitalized cost of the new cars that were acquired in 1983 was $9,164 for leased fleets, and $9,080 for company-owned units.

We submit that these are factually correct figures and are a far cry from the inflated figures submitted to you in earlier testimony and more closely reflect the real value of the incentive pro-

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NAFA's Statement on H.R. 1415

(Continued from page 27)

grams and the prices paid for new cars by corporate fleets.

I mentioned earlier that elimination of these programs would have a substantial effect on the fleet market. One of the questions we asked was, "If the guaranteed depreciation or resale programs were eliminated, would your fleet mix change substantially?"

Nearly 50 percent of the fleets enrolled in such programs said, "Yes, their fleet mix would change substantially." In other words, the companies offering such guaranteed depreciation programs would lose fleet business.

> ***"The incentive programs serve to help manufacturers and dealers sell more slow moving, or less popular, models. This is a legitimate and widely used marketing strategy."***

We then asked, "If incentive programs or fleet allowances were not available to you or your leasing company, would this fact: a) reduce the number of cars you acquire in a year; b) increase the length of time your fleet cars are kept in service, and c) reduce the amount or number of optional equipment items you now order for your cars?"

This is what they told us: Twenty-seven percent of the respondents said they would reduce the number of cars they acquired every year.

Forty-two percent said they would increase the service life of their fleet cars, which, in effect, means they would be acquiring fewer new cars in future years.

Fifty-two percent said they would reduce the number of options they now order to hold down the price of the new cars they acquire.

The final question of the survey was, "What is your company's position on this proposed legislation?"

From this substantial cross section of American industry we received this answer: 85 percent said their firms were opposed to the legislation. Only two fleets of the 332 said they favored the legislation, and one of the two gave this reason for his position:

"We primarily use dealer leasing as dealer benefits far surpass factory incentives to fleets."

Nine percent of the respondents said their companies had no position on the proposal, while five percent said they did not know the company's position, or it was undetermined.

Conclusions

Let me stress that from the fleet point of view, that is the business fleets in the country, the elimination of incentive programs will have serious economic consequences.

1) It will reduce the number of new cars sold every year to fleets, either through a direct, immediate reduction in orders, or in longer service life.

2) It will force fleets to eliminate many comfort and convenience options so they can decrease the cost of the cars they do acquire.

3) Incentive programs now serve to equalize competition and make it possible for smaller members of the industry to gain fleet business. Eliminating incentive programs will damage these car makers and will eventually hurt all manufacturers and their dealers who still handle almost all fleet orders on an individually negotiated basis.

4) The incentive programs serve to help manufacturers and dealers sell more slow moving, or less popular, models. This is a legitimate and widely used marketing strategy in all industries.

5) The fleet segment of the automobile industry, particularly corporate fleets, has been the last stronghold of the domestic car makers. According to major leasing companies, 98 or 99 percent of their fleet orders are for American-made cars. The same is true for company-owned fleets. The elimination of incentives and allowance programs for fleets will speed the trend to imported cars.

> ***One corporation commented: "Elimination of such programs by American manufacturers would give credence for us to begin discussions with foreign car makers."***

One major corporation of several thousand vehicles expressed it in these words: "Elimination of such programs by American manufacturers would give credence for us to begin discussions with foreign car makers."

I would like to conclude this testimony with some pertinent comments from fleets that participated in our survey:

"We would probably consider buying cheaper models and change our model line-up."

"We would drop whatever options it would require to conform to the corporation's capitalization guidelines policy, or select less expensive models to conform to the guidelines."

"H.R. 1415 is completely out of context. Dealers do not suffer from fleet incentives; they actually benefit because of increased buying."

"Retail purchasers get special interest rates and deals; fleets don't. Fleets are stable, steady buyers; retail isn't."

"Our fleet orders are 'cut and dried,' they don't require a salesman's time. When the economy is bad, the fleets are still running and buying."

"These savings have been substantial in recent years and it would be safe to say they have enabled us to purchase an extra vehicle. As with many businesses, volume, usually and reasonably, gets a discount." ■

NAFA Survey on Incentive Programs

Total Responses	332
Total number of cars in your fleet?	287,714
Company-Owned	133,556
Leased	154,158
How many new cars will you acquire in 1984?	86,118

	Yes	No
1) Do you or your leasing company take advantage of incentive programs or allowances offered by the automobile manufacturers?	320	6
2) If yes, how much did they amount to (per car) in 1983?	Leased $460.18	Owned $425.69
3) What was the average price or capitalized cost (per car) of the new cars that you acquired in 1983?	Leased $9,164	Owned $9,080
4) Have you subscribed to a manufacturer's guaranteed resale or depreciation program?	147	178
a. If the guaranteed depreciation or resale programs were eliminated, would your fleet mix change substantially?	69	
5) If all fleet incentive programs were eliminated, what would be the biggest influence on your future vehicle selection (please check one):		
a. Used Car Prices	51	
b. Initial Cost	229	
c. Operating Expenses	56	
6) If incentive programs or fleet allowances were not available to you or your leasing company, would this fact:		
a. Reduce the number of cars that you acquire in a year?	88	237
b. Increase the length of time that your fleet cars are kept in service?	136	188
c. Reduce the amount or number of optional equipment items that you now order for your cars?	166	152

If yes, what items would you eliminate?
Cruise Control — 72
AM/FM Stereo — 81
Tilt Wheel — 87

7) What is your company's position on the proposed legislation? (please check one)	
Opposes	276
Favors	2
No position	29
Undetermined	16

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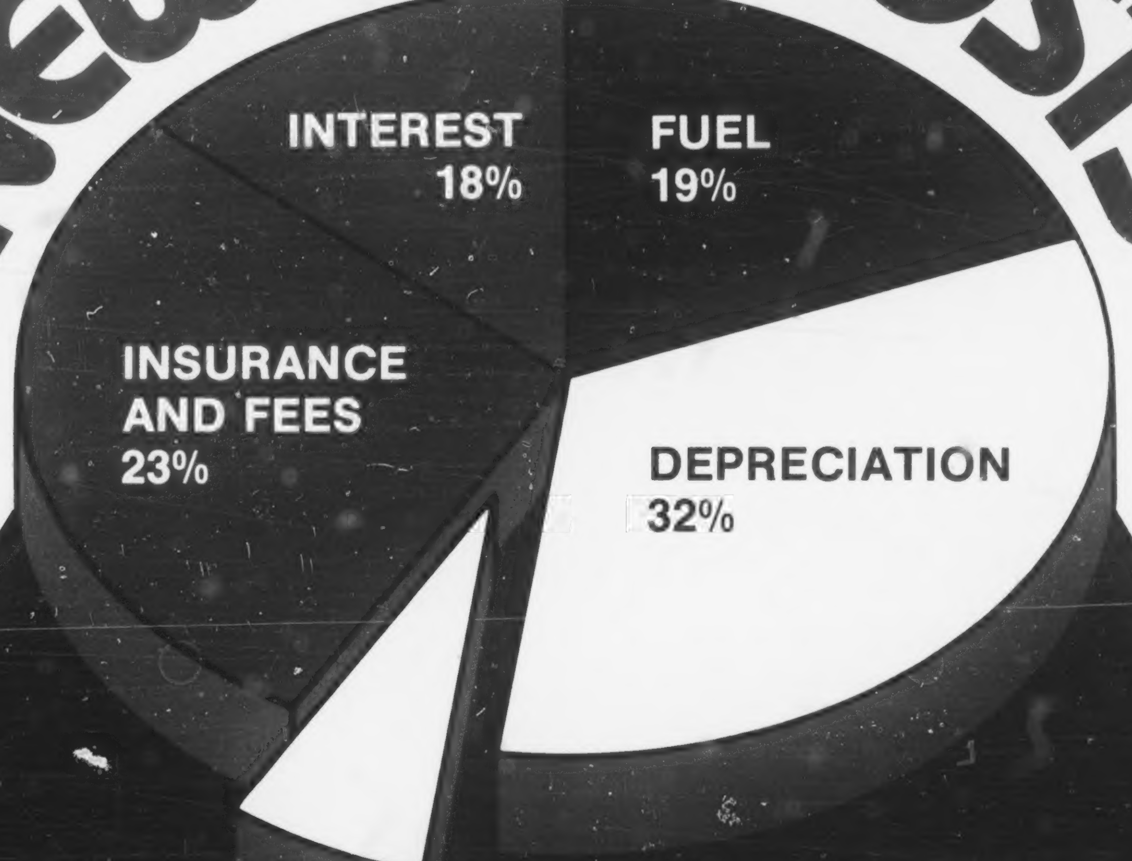

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NAFA Bulletin

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Cover Illustrated by Cindi Samol

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The 1985 new car line-up for domestic and imported models.

5-6 **New Car Acquisition Survey Form**
Please fill out and return to NAFA Headquarters.

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In an effort to learn more about replacement cycling policies and the future trends in used car marketing, NAFA conducted a roundtable discussion with five of its members.

16 **Budget Management: What Is It? Why Is It? and, How to Do It!**
Leonard Dreyer with Denny's Inc., provides fleet managers with insight into the budgeting process by covering how to prepare your own budget and how it should be executed.

20 **Mourges Tells Members: Maintenance Is an Import Aspect of Your Daily Operation**
NAFA's Maintenance Committee Chairman Pat Mourges describes some of the concerns fleet managers have in reference to the physical care of the fleet car.

22 **Alacchi Answers the Maintenance Hotline's "Hottest" Questions**
NAFA's Technical Service Consultant, Joe Alacchi, discusses some of the questions most frequently asked over the NAFA hotline.

32 **Truck Terms: Know Their Meaning**
Provided by George Weimer of Continental Telephone Corp. and Hall Kellogg of PH&H, this glossary of truck terminology defines the most commonly used words in the industry.

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Mourges Tells Members:

Maintenance Is an Important Aspect of Your Daily Operation

NAFA's Annual Conference in Los Angeles focused on topics vital to the fleet manager's responsibilities. The Wednesday program was devoted entirely to the subject of solving vehicle management problems. NAFA's Maintenance Committee Chairman Pat Mourges, manager-central auto division, Port Authority of New York & New Jersey, was the moderator for the day's program.

Pat Mourges

Mourges touched upon some of the concerns fleet managers have in reference to the physical care of the fleet car. He began his introductory remarks with a notion that not only is vehicle management an important technical and administrative responsibility, but it is also something fleet managers must deal with on an almost daily basis. "Unfortunately, the full scope and dimensions of this responsibility and its real importance to your fleet operations are sometimes totally ignored or minimized because of its comparatively low cost," he said.

Depreciation Is Biggest Cost Factor

Mourges illustrated his point with chart 1 showing the five major costs for operating a new car. "The biggest cost factors are depreciation at 32 percent and insurance fees at 23 percent. These are followed by interest and fuel at 18 and 19 percent. These costs are not something you have to think about every day. In fact, they were decided on at the time the car was originally purchased. Maintenance, at a slim eight percent, is almost insignificant by comparison," Mourges remarked.

"So, how important can this small item called 'maintenance' really be?" he questioned the group.

"Every time your phone rings with one of your distressed drivers pleading for help on the other end the question gets answered. It's also answered every time you have to authorize expensive repairs and car rentals to get your employee back on the road again," Mourges stressed.

> ***"In an era gone by, vehicles had a simple design and were easier to maintain. They were all functionally the same under the hood."***

Having made the point that maintenance is important, Mourges went on to discuss the direct link between quality maintenance and reliable fleet performance. "By taking it one step further and establishing the link between fleet performance and your corporate mission — whatever it may be, the weight balance illustration symbolizes that relationship," he commented. "The fleet function shown on chart 2 is only a small part of your budgeted corporate resources. These budgeted resources are being committed to achieve the mission objectives shown on the left. The fleet function is indeed a vital function. A reliable fleet will

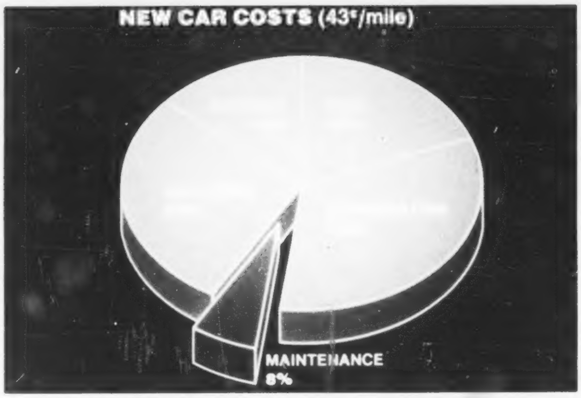

Chart 1

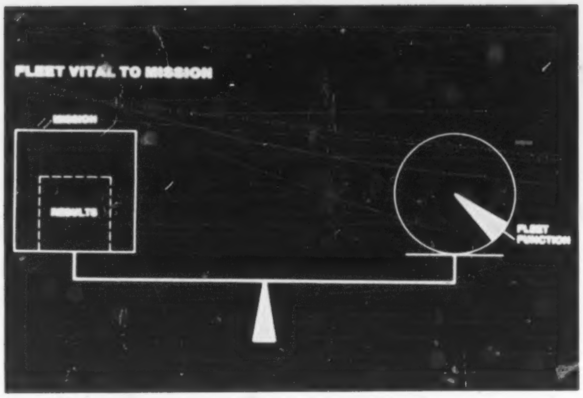

Chart 2

Chart 1 shows the five major costs for operating a new car. The biggest cost factor is depreciation at 32 percent. *Chart 2* shows the link between fleet performance and your corporate mission. The fleet function shown on the right is only a small part of your budgeted corporate resources.

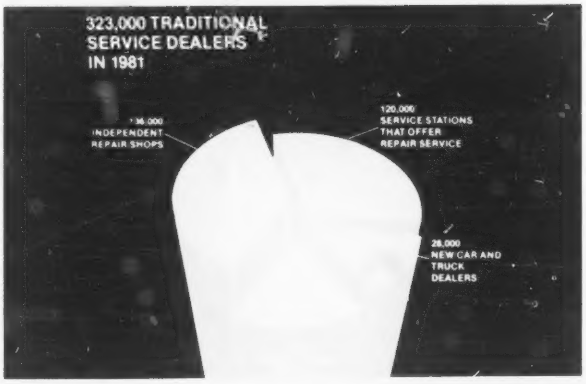

Chart 3

Chart 3 shows the giant marketplace vehicle management supports. As a result, new car and truck dealers are the smallest segment of that service industry.

act as a lever with great mechanical advantages to enhance all of the other corporate resources so that your company results are maximized and your mission objectives fulfilled."

Mourges continued, "The challenge of vehicle management has become complex. In an era gone by, vehicles had a simple design and were easier to maintain. They were all functionally the same under the hood. Once upon a time, the 'old breed' of mechanic could learn by doing parts repair, and when he did one part, he learned them all. However, the concern for energy and our environment has created a 'new breed' of automobile and a 'new breed' of mechanic. Today, we must concern ourselves with microprocessors, feedback loops, boost-air, emission controls, and a host of other technologically complex systems. Professional fleet managers as well as the repair shop mechanic must learn to deal with this rapidly changing new world of 'high tech.' Emphasis is on systems and systems management. It's definitely not simple anymore!"

The Giant Marketplace

Mourges singled out yet another measure of the importance of vehicle management — the giant marketplace it supports. According to a recent survey conducted by *Motor Service* magazine, there are 323,000 traditional service dealers as shown in chart 3. "As a result, new car and truck dealers are the smallest segment of that service industry," Mourges stated. "They are dwarfed by independent repair shops and service stations that offer repair services." Mourges told the group that they should question and explore the segment they use and for what specific services, because they are not all equal.

> ***"Professional fleet managers, as well as the repair shop mechanic, must learn to deal with this rapidly changing new world of 'high tech.'"***

Mourges also reported that the total cost for servicing cars across the nation has been doubling every ten years and judging by the last cost survey of 1981, he said it is probably well over 60 billion dollars today. "Approximately eight percent of your fleet operating budget is in there someplace," he added.

Mourges concluded his remarks with two important questions fleet managers should be asking themselves: "Are you spending your company's money in the right places?" and "Are you buying reliable and effective fleet performance?" ■

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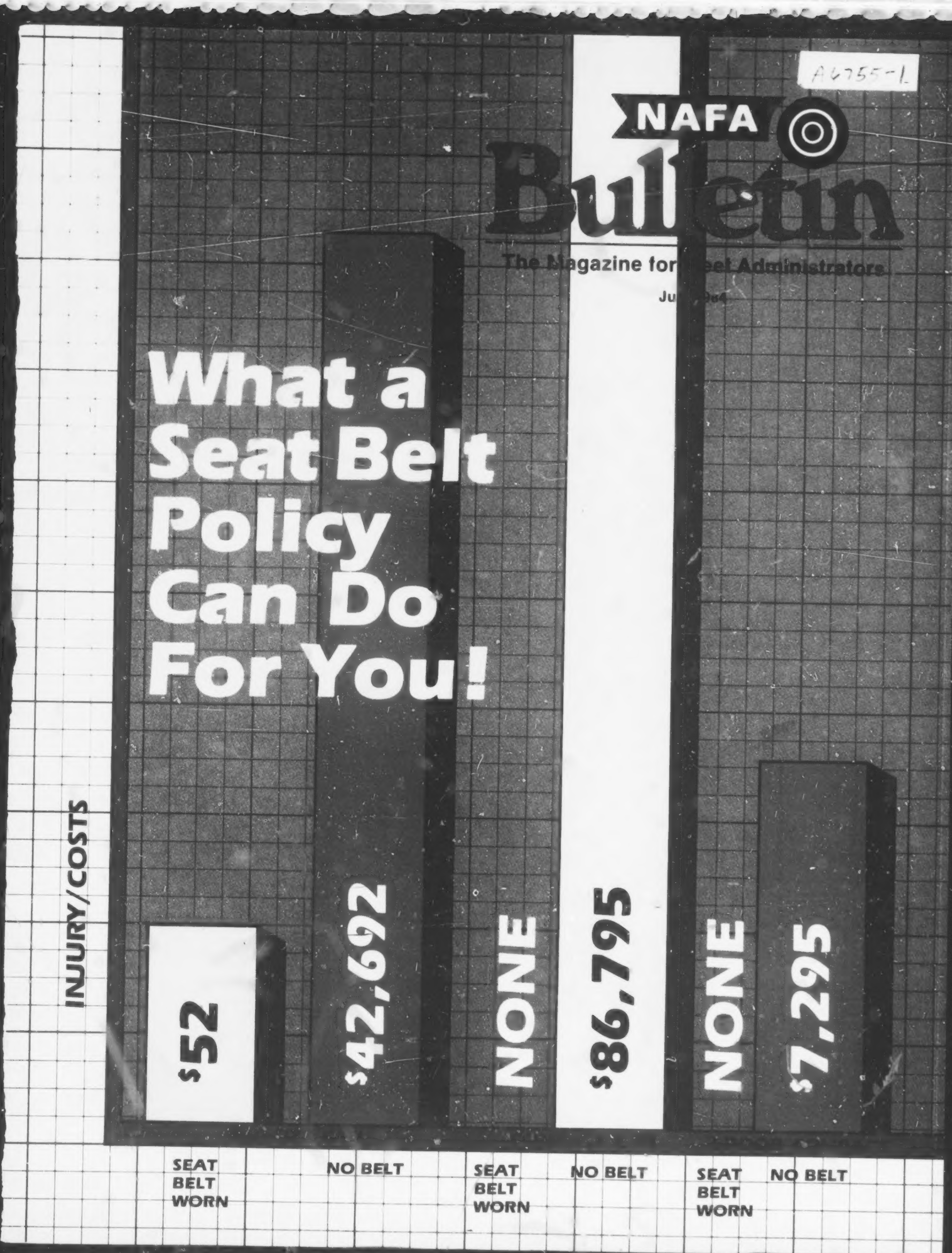
What a Seat Belt Policy Can Do For You!



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NAFA Bulletin

The Magazine for Fleet Administrators
July 1984

Cover: Illustrated by Cindi Samol

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10 **Seat Belts Save Lives and Reduce Injury Costs: How to Implement a Seat Belt Policy That Works**
NAFA believes strongly that injuries and costs can be reduced if fleet managers implement a comprehensive safety belt use program.

17 **Does the Regulatory Process Achieve Its Objectives?**
The Society of Automotive Engineers and the U.S. Department of Transportation co-sponsored a conference "Government/Industry Roles in Advancing Mobility." This article highlights the remarks of those who participated in the panel discussion.

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A third auto taillight is about to make its debut — with good reason. Time and tests have produced evidence that a third, high-mounted taillight on autos, trucks and vans is effective in reducing rear-end collisions by as much as 50 percent.

26 **Eliminate CAFE Standards: Consumers, Not Government, Make the Wisest Decisions**
Mandatory fuel economy standards are a controversial subject in the automobile industry. Many support it and many are against it. David Henderson, senior staff economist, Council of Economic Advisers, Executive Office of the President, explains his reasons why he is opposed to CAFE standards.

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New Safety Feature:

"Third Eye" Auto Taillight on Rear Deck Reduces Rear-End Collisions by 50 Percent

Ready world? A third auto taillight is about to make its debut — with good reason. The following article, reprinted with permission by the Alliance of American Insurers and published in their "Journal of American Insurance," Vol. 59, No. 4, 1983-1984, describes why a third auto taillight will soon be required equipment on every car.

IF YOU'VE EVER had the heart-stopping experience of coming to a sudden halt on a busy expressway at rush-hour, you might welcome the addition of a third, high-mounted taillight on every car in that crowd. Now you can relax — a new federal regulation was recently enacted which will require automakers to put a "third eye" high on the rear deck of all passenger vehicles manufactured after September 1, 1985.

For nearly 20 years, the government, the insurance industry and the automobile industry have been studying the role of taillights in rear-end automobile collisions. Time and tests finally produced conclusive evidence that a third, high-mounted taillight on autos, trucks and vans is effective in reducing rear-end collisions by as much as 50 percent.

Though logic dictates that a third taillight would reduce rear-end collisions, federal regulations should be supported by solid, empirical evidence. So, about 1978, the National Highway Traffic Safety Administration (NHTSA), a division of the U.S. Department of Transportation, got serious about supporting its logical assumption regarding the "third eye" and commissioned an outside agency to test the hypothesis. Three separate studies were eventually conducted to prove unequivocally that the "third eye" can significantly reduce human and economic losses caused by rear-end collisions.

Taxi Cabs Tested

Researchers at the Essex Corporation in Alexandria, Virginia, began testing three different rear lighting configurations on approximately 2,100 taxi cabs (four groups of 525 each) in the Washington, D.C., area. Group number one bore a single, high-mounted center brake light at the approximate eye level of a following driver. In addition, the cab carried conventional brake lights. The center lights were placed on trunks just beneath the centerlines of the cabs' rear windows. For this group, the extra center light served no other function than to indicate that the cab was braking.

Test group number two featured two high-mounted stoplights, one on each side of the trunk directly below the rear window, again at the approximate eye level of the following driver. These stoplights also functioned separately from the vehicles' normal stop and turn signal lamps.

Group number three carried separate tail and signal lights. Set in pairs, these taillights were in conventional positions but their functions were separated so that one pair of lamps lit with the headlights while a second set responded to brakes and turn signal switches. The fourth group (the control group) retained conventional rear lighting systems. Stopping, turning and tail illumination were signaled by the same set of lights positioned low on the vehicle.

12 Month Study

All four groups were studied for 12 months, during which the cabs traveled a total of nearly 60 million vehicle miles under a variety of weather and road conditions. The Essex Corporation was careful to match drivers in equal groups by age, sex and prior accident records.

During the study period, the four groups logged a total of 1,470 accidents, of which 217 (or 15 percent) were "relevant" rear-end collisions. Used here, the term "relevant" refers to colli-

(Continued on page 20)

Third Auto Taillight

(Continued from page 18)

sions in which a stop lamp could have affected the outcome. Rear-end collisions involving parked cars were excluded.

Test Results

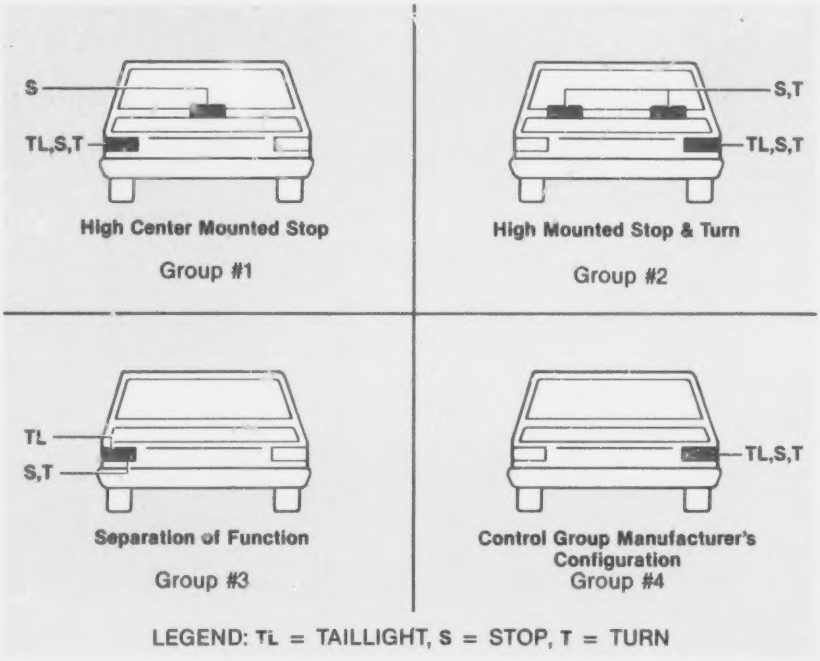
Results were measured and carefully evaluated both in terms of accidents per million vehicle miles. The Essex Corporation found that the cabs in Group One — those equipped with a rear stoplight mounted high in the center of the vehicle — had fewer than half the rear-end collisions experienced by the control group. Relevant rear-end collisions in the first test group occurred 54 percent less frequently than in the others.

In addition, damages caused by rear-end collisions in group number one were the least costly to repair of all rear-end collisions in the test fleet. These cars, then, not only had fewer rear-end collisions, but when they were hit from behind, following cars were already slowing down, causing less damage. The effectiveness of the signal, high-mounted stoplight increased at night and in situations where it was more certain that brakes were applied before or at the time of impact.

Further Findings

Further findings in the Essex study were that the rear-end collision rates of the other two experimental groups were almost as bad as those of the control group, ruling out the potential for crash reductions from dual-mounted pairs with separated functions. Naturally, the Essex Corporation reported that single, center, high-mounted stop signals have the potential to "dramatically reduce the occurrence of rear-end collisions on a national scale." But Essex Corporation's findings were not considered conclusive.

Figure 1. Tail Lamp Configurations Used in Studies of Four Taxi Groups, Washington, D.C.



Since all the vehicles in the Essex experiment were similar (D.C. cabbies chosen drove Dodges and Plymouths of similar models), and all were driven by experienced taxi drivers in an urban area, results could not be applied responsibly to all drivers in the United States. Essex researchers recommended that a second experiment be conducted to validate their findings. They suggested the second experiment duplicate the three types of taillights tested in Washington on cars other than taxi cabs in driving conditions outside the city. In addition, Essex researchers recommended that, based on their findings and validation from a second research group, NHTSA should propose a federal rule requiring that the single high-mounted taillight be placed on all new vehicles.

> ***"Time and tests finally produced conclusive evidence that a third, high-mounted taillight is effective in reducing rear-end collisions by as much as 50 percent."***

To verify Essex findings, NHTSA hired the Allen Corporation, also of Alexandria, Virginia, to conduct an expanded test. Allen researchers broadened the test field to include 5,400 telephone company passenger vehicles. Half of the cars were equipped with center high-mounted brake lights. The other half, used as a control group, were operated with conventional rear lighting systems — two low-mounted stop, turn and taillights.

This time test vehicles were of a variety of different makes and models and drivers varied in their experience. Test cars were driven in 15 different states. The Allen Corporation's study was not confined to urban driving, but included travel in and around mid-sized communities.

In a single year, over an

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Third Auto Taillight

(Continued from page 20)

accumulated total of about 55 million vehicle miles, the test group experienced 53 percent fewer rear-end collisions than did the conventionally equipped cars. Allen Corporation findings were in remarkably close agreement with Essex research and went on to explain the possible reasons for the "third eye's" success.

Allen researchers felt that the center stoplight worked because it was placed at the approximate eye level of a following driver. Taken one step further, then, the new brake light could usually reach back two cars because it is visible through the window of a car between the lead vehicle and a third.

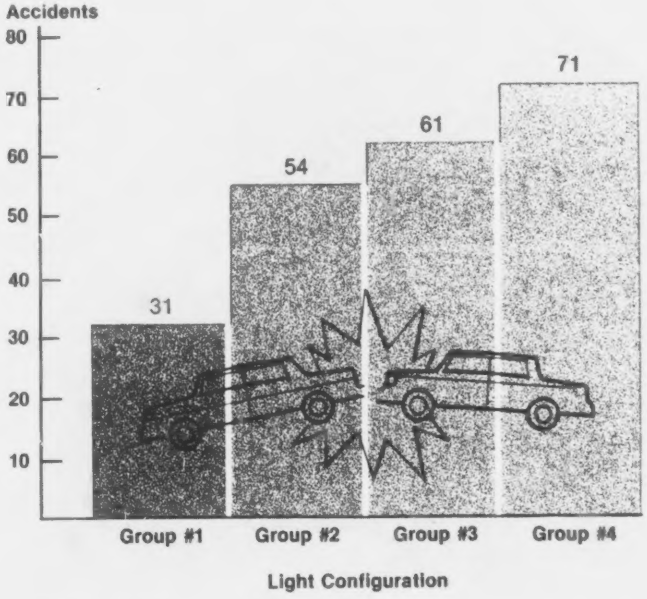
Because the auxiliary stop light serves only one purpose, suggested Allen researchers, its message is perceived more quickly by a following driver. On the other hand, standard equipment not only signals a stop, but also indicates an automobile's presence at night and its turning intentions. This ambiguity can conceivably dull driver response to the braking signal.

In addition, Allen researchers suggested that the position of the auxiliary stop light creates a sort of triangle when combined with standard brake lights and that "visual geometry" improves the speed, frequency and distance with which a following driver detects, then mentally registers, the lead vehicle's intentions. And, it could be that the auxiliary stop light was successful in reducing rear-end collisions simply because of its novelty.

Questions Raised on Effectiveness

The questions of success due to novelty and of the stop light's effectiveness in rural driving situations were raised by members of the auto industry when Allen Corporation's results were published in 1980. NHTSA addressed both those questions and other criticisms.

Figure 2. Number of Rear End Accidents Each Taillight Group
(525 Taxicabs per Group, Essex Corp. Study)



Source: Essex Corp

One skepticism voiced surrounded the effectiveness of the center high-mounted stop light on subcompact cars. Both Essex and Allen test vehicles were mid-sized to large, raising the question that subcompacts might be involved in fewer rear-end accidents in which a stop light could have affected the outcome.

To dispel that doubt, NHTSA officials studied police-reported accidents involving passenger cars struck from the rear in North Carolina collisions, 1975 through 1980. Information collected by car size showed no statistically significant differences in relevant rear-end accident rates among intermediate, compact and subcompact domestic cars. Data did show that, for some undetermined reason, subcompacts were struck more frequently in the rear during 1976 than were intermediate and compact models. Nonetheless, the North Carolina results were accepted as comparable to nationwide accident experience.

Others suggested the "third eye" would not change accident experience for subcompacts because conventional taillights were already closer together on diminutive models than on larger cars. Again, NHTSA refuted the question, indicating the extra brightness and higher placement of the third light along with the braking-only function, would effect small cars in the same way as larger models.

> ***"The position of the auxiliary stop light creates a triangle when combined with standard brake lights... improving speed, frequency and distance with which a following driver detects, then mentally registers the lead vehicle's intentions."***

Automakers objected to the design restriction of a single, center-mounted stop light. However, in the Essex tests the dual-lamp configuration performed much less effectively than did the center-mounted lamp, probably because of its triangular shape and centerline and eye-level location.

Dissenters argue that once all cars bear the high-mounted stoplight, drivers will become desensitized to its message. No test can accurately predict whether drivers will stop noticing high-mounted stoplights, but NHTSA says the new light provides an additional, more prominent cue to drivers on the centerline of their vision. The third light can be detected at least two vehicles back and the signal means only one thing — "Stop." It's even likely, says NHTSA, that the positive effects of the "third eye" will increase as more cars carry it.

> ***"NHTSA says the new light provides an additional, more prominent cue to drivers on the centerline of their vision... it can be detected at least two vehicles back and the signal means only one thing — 'Stop.'"***

With all this empirical evidence compiled, still another study was conducted for good measure. The Insurance Institute for Highway Safety (IIHS) repeated the experiment among New York taxi drivers. This time, the intensity of taillight bulbs was tested. IIHS researchers reported that brighter lamps were more effective in reducing rear-end collisions. So, the federal rule stipulates lamp capacity and bulb intensity.

Cost of Light Bulb?

What is the cost of this controversial light bulb? Auto manufacturers estimate their cost to install the "third eye" on 1986 model passenger cars, vans, trucks and buses will average $8 to $15 more per vehicle. NHTSA estimates the ultimate consumer cost will range from $4 for integration of the lamp into new vehicle designs to about $7 for adding it to existing vehicle designs. The initial annual consumer cost, starting with 1986 model cars, is estimated at approximately $70 million, based on an annual production of 10 million passenger cars. Later costs are estimated to average $4 per car.

But, what can be saved with the "third eye?" NHTSA estimates indicate there would have been 900,000 fewer accidents and 40,000 fewer injuries had **all** passenger cars been equipped with the center, high-mounted stop light in 1980. National records show that four million cars are rear-ended every year. Data indicating fatalities resulting from "relevant" rear-end collisions is not available, but it is certain that deaths occur in a portion of these accidents.

> ***"Studies indicate that average repair costs for test cars involved in rear-end collisions were lower for those with center-mounted "third eyes."***

Both the Essex and the Allen studies indicated that average repair costs for test cars involved in rear-end collisions were lower for those with center-mounted "third eyes." The 50 percent reduction in the number of accidents produces an additional savings. NHTSA estimates that nearly $434 million in auto repairs would have been saved in 1980 alone had all cars been equipped with the "third eye."

When the costs of installation are subtracted from the potential economic losses resulting from rear-end collisions, the minimum net benefit, if the stop light retains its 50 percent effectiveness, would be $284 million in a single year (1982 dollars).

Future of Auto Safety

The National Highway Traffic Safety Administration, Insurance Institute for Highway Safety and other august research organizations are constantly studying new highway safety measures. Barry Felrice, of the NHTSA, speculated on the future of auto safety. "It's conceivable," he said, "that cars will eventually drive themselves. As much as 15 years ago in engineering schools we were talking about automated highways where cars coast along, undisturbed, three inches apart. Radar brakes that detect and respond to obstructions automatically have already been developed and tested. Drivers may use such brakes by the end of this decade."

NHTSA engineer Kevin Cavey speculates further. "By the year 2000," he suggests, "you may be able to program your car's destination, get in and ride there as safely as you now do on a train. The technology for automated cars exists. When people accept these new ideas, the auto industry will pay the expense of marketing and manufacturing them."

A number of drivers have already accepted the idea of third taillights. More and more "third eyes" are looking back at American drivers. Do-it-yourselfers can obtain kits for installing additional brake lights. For those disinclined to "do-it-themselves," most service station mechanics can be induced to perform the simple operation. It's just one more step to prevent the kind of "bang up time" you can do without. ■

NAFA

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Honorary Member

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Photo Lynne Warshavsky

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43 **EPA Listing of Tested Fuel Economy Devices**
The EPA has provided NAFA with a list of the fuel economy retrofit devices that have been tested or otherwise evaluated by the agency. Except for those which are noted with a special comment, none are expected to cause a statistically significant increase in fuel economy.

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Front Cover Photo: Chrysler's Lee A. Iacocca is installed as a NAFA Honorary Member. With Mr. Iacocca (L-R) are: Don Allen, corporate fleet manager, Gerber Products Co.; John Palmer, auto fleet administrator, Citizens Insurance Company; Patrick Sheehan, corporate fleet manager, Baxter-Travenol Laboratories Inc., and Hal Barton, general manager, fleet operations, Chrysler Corp.

You Make the Choice:

Here's What Leasing Companies Recommend for 1985 Model Year

The 1985 model year has arrived. And now it's time to start the cycle of ordering new cars. New model offerings have to be evaluated, selector lists prepared, and replacement schedules made firm.

To serve as a guide in providing you with a broad background on what is available for 1985, NAFA Bulletin publishes the suggestions offered by a few of the large leasing companies. The professional fleet manager is aware that these are only recommendations. The final, and sometimes difficult, decision is your responsibility. Your success depends on making the right choices.

The National Association of Fleet Administrators, Inc., makes no recommendations; it is offering this data as a service to its members.

ARI Recommendations

The 1984 model year has seen our industry witness a resurgence of sales of new cars and trucks, says ARI. This was especially true in the retail market but was just as pronounced in the leasing industry. According to ARI, we have also experienced renewed interest in mid-sized cars with larger engines promoted in part by the abundance of gasoline at seemingly stabilized prices.

ARI's recommendations are based on the following suggested fleet equipment. In making their recommendations, ARI has tried to accommodate the market's desire for larger more powerful units.

Sub Compacts:
(4 Door Sedan or Hatchback when possible)

AMC Alliance
Chevrolet Cavalier
Dodge Omni
Ford Escort
Mercury Lynx
Plymouth Horizon

Automatic Transmission, Power Steering, Power Brakes, Air Conditioning, AM Radio, Tinted Glass, Body Side Moldings, Wheel Covers, Cloth Interior

Compacts:
(4 Door Sedan or Hatchback when possible)

Buick Skylark
Dodge Aries
Ford Tempo
Mercury Topaz
Plymouth Reliant

Automatic Transmission, Power Steering, Power Brakes, Air Conditioning, Stereo Radio, Tinted Glass, Body Side Moldings, Wheel Covers, Dual Horn, Whitewall Tires, Cloth Interior, Cruise Control — (Open Road High Mileage Vehicle)

Midsize:
(4 Door Sedan)

Buick Century
Chevrolet Celebrity
Ford LTD
Mercury Marquis
Oldsmobile Cutlass Ciera
Pontiac 6000

Automatic Transmission, Power Steering, Power Brakes, Air Conditioning, Stereo Radio, Tinted Glass, Body Side Moldings, Wheel Covers, Dual Horns, Whitewall Tires, Cloth Interior, Cruise Control — (Open Road High Mileage Vehicle)

2 Door Specialty:

Buick Regal
Ford Thunderbird
Mercury Cougar
Oldsmobile Cutlass Supreme

Automatic Transmission, Power Steering, Power Brakes, Air Conditioning, Stereo Radio, Power Windows, Cruise Control, Tilt Wheel, Tinted Glass, Body Side Moldings, Wheel Covers, Dual Horns, Whitewall Tires, Cloth Interior

Full Size: *(Fleet)*
(4 Door Sedan)

Chevrolet Impala
Ford LTD Crown Victoria "S"

Automatic Transmission, Power Steering, Power Brakes, Air Conditioning, Stereo Radio, Tinted Glass, Body Side Moldings, Wheel Covers, Dual Horns, Whitewall Tires, Cloth Interior

Avis Recommendations

While the annual process of vehicle selection has always been both difficult and demanding, it has become even more involved over recent years with the drastic realignment of models in both size and weight, says Avis.

The emphasis has been placed on economy which, more than anything else, is related to vehicle weight. Therefore, Avis's vehicle classification has been predicated on vehicle weight.

Avis recommends that when you select a vehicle you must meet certain general requirements:

1. It must be equal to the demands of the job it is expected to do.
2. It must be economical to operate.
3. It must retain a high used car value.

> ***"...fuel cost and depreciation represent almost 80% of the total operating cost."***

AVIS'S VEHICLE SELECTION RECOMMENDATIONS

Vehicle Assignment	Vehicle Category	Engine	Model Level
Economy/Special Purpose	Sub-Compact	4 Cyl.	Base Level
	Small	4 Cyl	Base Level
Sales/Service	Small	4, 6 Cyl.	Mid Level
	Mid Size	4,6 Cyl.	Mid Level
Managerial	Full Size	6, 8 Cyl.	Base Level
	Mid Size	4, 6 Cyl.	Top Level
	Specialty	4, 6 Cyl.	Selective
Executive:			
Group I	Full Size	6, 8 Cyl.	Mid Level
	Specialty	4, 6 Cyl.	Selective
Group II	Full Size	6, 8 Cyl.	Top Level
	Luxury	6, 8 Cyl.	Top Level
	Specialty	4, 6, 8 Cyl.	Top Level

NOTE: Where use dictates, select hatchback, station wagon or "mini" van/wagon which best fits passenger & cargo requirements.

RECOMMENDED EQUIPMENT BY VEHICLE ASSIGNMENT

I. ECONOMY/SPECIAL PURPOSE:		
Air Conditioning (Selective) Automatic Transmission (Selective)	H.D. Suspension AM Radio	Body Side Molding Power Steering (Selective)
II. SALES/SERVICE:		
Air Conditioning Automatic Transmission Power Brakes Power Steering AM/FM Stereo Interval Wipers	Tinted Glass Cloth/Vinyl Upholstery L.H. OSRV Mirror, Remote Wheel Covers Body Side Molding Digital Clock	Window, Drip Moldings, Where Applicable Door Edge Guards Front/Rear Floor Mats WSW Tires Rear Defogger, Where Required
III. MANAGERIAL, Above Plus:		
Tilt Wheel Cruise Control	Light Package Power Windows Power Door Locks	
IV. EXECUTIVE, Above Plus:		
Group I: Power Seat-Driver	Automatic Air Conditioning Vinyl Roof or 2 Tone Print	Styled Wheels
Group II: Above Plus: Tilt-Telescope Wheel AM/FM Stereo Cassette	High Level Upholstery Instrumentation Package	Power Seats — All

According to Avis, recent surveys confirm that fuel cost and depreciation represent almost 80% of the total operating cost and continue to increase. Equal consideration should therefore be given to each of these factors.

Other factors involved in vehicle selection include the following:

Model Series — The full range of models in each line should be given consideration to fill specific assignments, from the "pool" type of use to the high level, executive or prestige category.

Body Style — Serviceability will be the main consideration, including the use of and ease of entry to rear seats. However, 2-door models can be considered, particularly in the specialty category.

Color — Certain colors are more popular and sellable than others and will vary by region. It is generally a good rule of thumb to avoid extremes. Of equal importance is the compatability of interior and exterior color combinations.

Equipment — The equipment listed on the chart is recommended as basic. Exceptions can of course be made, depending on your individual requirements and preferences. It is important, however, that the optional equipment selected be compatible with the level of model used.

Engines — The engines listed are considered to be adequate for the class of car recommended in view of the lighter cars involved. Where there is any question, you can consider the next larger engine, if available.

Replacement — Replacements should be made early in the model year, preferably in the Fall (October-November) and/or Spring (March-April) to minimize depreciation.

(Continued on page 12)

Leasing Company Recommendations

(Continued from page 11)

Dart & Kraft Recommendations

While the automotive industry has come a long way in the past few years, other factors, such as vacillating interest rates and gasoline prices could rise up and cause havoc among the best run automotive fleets. Dart & Kraft Financial Corporation is pleased to see that their client base has taken heed of the everchanging world of fleet management by utilizing vehicles that are more cost and fuel efficient. Therefore, their recommendation for 1985 is to continue taking advantage of the manufacturers' technological response to the demand for cost-effective, high performance vehicles.

In making your fleet plans for 1984, Dart & Kraft recommends the following class of vehicles.

Luxury Class

Make/Model

Buick Electra
Chevrolet Caprice
Chrysler New Yorker 5th Ave.
Chrysler Newport
Ford LTD Crown Victoria
Mercury Grand Marquis LS
Oldsmobile 98 Regency
Pontiac Parisienne Brougham

Dart & Kraft's recommended replacement cycling is 36 months/ 60,000 miles.

Full Size

Make/Model

Buick LeSabre
Chevrolet Impala
Dodge Diplomat
Oldsmobile Delta 88
Plymouth Gran Fury
Pontiac Parisienne

Dart & Kraft's recommended replacement cycling is 36 months/ 60,000 miles.

Intermediate

CLASS I
Make/Model

Buick Century
Chrysler Commander
Dodge Lancer
Ford LTD Brougham
Mercury Marquis Brougham
Oldsmobile Cutlass Ciera LS
Pontiac 6000 LE

CLASS II
Make/Model

Chevrolet Celebrity CL
Dodge 600
Ford LTD
Mercury Marquis
Pontiac 6000
Plymouth Caravele

Dart & Kraft's recommended replacement cycling is 36 months/ 55,000 miles.

Compact

CLASS I
Make/Model

Dodge Aries LE
Ford Tempo GLX
Mercury Topaz LS
Plymouth Reliant LE

CLASS II
Make/Model

Dodge Aries
Mercury Topaz GS
Ford Tempo GL
Plymouth Reliant

Dart & Kraft's recommended replacement cycling is 36 months/ 55,000 miles.

Subcompact

CLASS I
Make/Model

AMC Alliance DL
Buick Skyhawk
Chevrolet Cavalier CS
Dodge Omni SE
Ford Escort LX
Mercury Lynx LTS
Oldsmobile Firenza
Plymouth Horizon SE
Pontiac Sunbird

Dart & Kraft's recommended replacement cycling is 36 months/ 55,000 miles.

Utility Class

Make/Model

AMC Encore
Dodge Omni
Ford Escort L
Mercury Lynx L
Plymouth Horizon

Dart & Kraft's recommended replacement cycling is 48 months/ 80,000 miles.

Specific Recommendations

Dart & Kraft has developed vehicle recommendations for specific industries. These recommendations are based on extensive industry research among various large corporate fleets and analyzing the vehicle industry on a whole to find the best vehicle selections. These general industry recommendations should be used as a guide when planning for the upcoming model year.

Industry	Managerial	Sales/Service
1) Paper and Lumber	Intermediate/ Class I	Intermediate/ Class II
2) Pharmaceutical, Cosmetics, Consumer Products	Intermediate/ Class I	Intermediate/ Class I
3) Heavy Manufacturing	Intermediate/ Class I	Intermediate/ Class II
4) Light Manufacturing	Intermediate/ Class I	Compact/ Class II
5) Financial Services/ Insurance	Compact/ Class I	Compact/ Class II
6) Food, Beverage & Tobacco	Intermediate Class I	Intermediate/ Class I or Compact/Class I
7) Petroleum (Oil Patch)	Full Size	Full Size or Light Duty Pickup
8) Petroleum General	Full Size	Intermediate/ Class I

Enterprise Recommendations

The stabilization of fuel availability and price and declining interest rates allows the focus once again to be on the primary factors which will have the greatest impact on your overall fleet expense — depreciation and fuel expense, according to Enterprise. These expenses represent approximately 67 percent of your total fleet expenditures and both of these expense items can be controlled by wise vehicle selection.

Enterprise suggests that the fleet administrator should first identify the primary functions of each

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Leasing Company Recommendations

(Continued from page 12)

vehicle level within the company fleet by asking the questions: What is the average package load and passenger load for each vehicle? What type of image should each level of vehicle project? With the primary requirements for each level of vehicle established, the vehicle selection process may begin. Vehicles which are able to perform the job within every given class should then be evaluated economically. To make this evaluation, you should anticipate new car costs and factory rebates or incentives; estimate resale value at term; and analyze the fuel efficiency rating of each vehicle, says Enterprise. By planning this process carefully, the fleet administrator can identify those vehicles, based upon function and economy, which should be recommended for each level.

Restrict Selection of Vehicles

If the primary job function is utility, presentation of a broad selection of vehicles is not as important as it is to a sales or marketing function, where image and driver satisfaction become more important. As a result, Enterprise recommends restricting the selection of vehicles for utility purposes to give the fleet administrator the flexibility to move from one make and model to another within a given model year as changes in economy and factory incentive programs occur.

> ***"Improper vehicle selection continues to be an important factor in regard to used car value by adversely affecting total depreciation cost."***

In the case of a sales or marketing vehicle, Enterprise recommends that drivers be given a broad selection of makes and models of vehicles within a specific category from which to choose. Enterprise also recommends that a vehicle be assigned to one specific individual and not be transferred from driver to driver at company discretion. A further recommendation is that the driver be given the opportunity to purchase optional equipment at his or her own expense in addition to selection of a specific make and model.

The fleet administrator should be attentive to the specific types of equipment and power trains that should be considered for a driver's geographic area. Larger engines are recommended by Enterprise for vehicles that are operated in mountainous areas and engine block heaters are recommended for cold climates.

Enterprise suggests that larger luxury cars be equipped with power assist and luxury options such as power windows, cruise control, tilt steering wheel, AM/FM stereo radio and appearance items such as accent stripes and upgraded wheelcovers. Larger or luxury cars without these options will be adversely affected on the used car market above and beyond the initial cost of the options. Vehicle color selection continues to be an important factor in regard to used car value by adversely affecting total depreciation cost. Metallic colors are difficult to blend and match if body repairs are needed, and in the past, metallic paint has had a tendency to fade. Enterprise does, however, anticipate that clearcoat will reduce metallic paint fade. As a result, Enterprise recommends the use of metallic color only with clearcoat, otherwise, brighter or earthtone non-metallic colors are recommended.

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Gelco Recommendations

Are 1985 product offerings better? The answer, according to Gelco, is a definitive "Yes." All the major domestic manufacturers have invested millions of dollars in quality-control programs. The chairmen of Ford and General Motors even designated the quest for quality as the top corporate priority. The results and rewards of this attention are rolling in now.

Gelco has added these three important acquisition criteria to their 1985 Automobile Selector Groups — projected acquisition costs, operating costs and resale values. The acquisition costs are calculated on the basis of 1984 prices, plus an anticipated 3% price increase. These charges do not include freight, tax and title costs. The operating costs projections are based, primarily, on the large bank of data available from Gelco's Maintenance Management Program. Vehicle operating costs are displayed in cents/mile and represent fuel, maintenance and tire costs over 30 months and 60,000 miles. Fuel costs were gauged at $1.35/gallon. Resale values were computed by Gelco and the projected used car values are the estimated prices that will be obtained in the Fall of 1986 and Spring of 1987, with slight seasonal adjustments. The price of fuel, the effect of inflation, product availability, mileage, and the used vehicle marketing trends have all been taken into consideration.

Luxury Group

	Acquisition Cost	Operating Cost Cents/Mile	Resale Value
Buick Riviera	$14,885	.0993	$ 9,400
Oldsmobile Toronado	$14,890	.0993	$ 9,400
Cadillac DeVille	$16,402	.0799	$10,500
Buick Electra Park Avenue	$14,269	.0779	$ 9,100
Oldsmobile 98 Regency Brougham	$14,100	.0799	$ 9,000
Lincoln Continental	$18,988	.0887	$12,000
Chrysler New Yorker	$12,890	.0657	$ 8,300

Selection Criteria
  Company Image Primary
  Position Image Primary
  Comfort Primary
  Fuel Economy Secondary
  Acquisition Cost Secondary

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Leasing Company Recommendations

(Continued from page 14)

Gelco Recommendations continued

Full-Size Functional Group

	Acquisition Cost	Operating Cost Cents/Mile	Resale Value
Ford Crown Victoria	$11.206	.0883	$5.800
Mercury Grand Marquis	$11.565	.0883	$6.000
Chevrolet Caprice Classic	$10.202	.0867	$5.200
Buick LeSabre Custom	$10.725	.0867	$5.500
Oldsmobile Delta 88 Royale	$10.486	.0867	$5.500
Pontiac Parisienne	$10.577	.0867	$5.300

Selection Criteria
Cargo Carrying Capacity Primary
Passenger Space Primary
Fuel Economy Secondary

Mid-Size Group

	Acquisition Cost	Operating Cost Cents/Mile	Resale Value
Contemporary Category			
Chevrolet Celebrity CL	$ 8.999	.0690	$4.500
Plymouth Caravelle	$ 9.419	.0657	$4.500
Pontiac 6000 LE	$ 9.623	.0690	$4.800
Oldsmobile Cutlass Ciera LS	$ 9.592	.0690	$4.800
Buick Century Custom	$ 9.650	.0690	$4.800
Ford LTD Brougham	$ 9.570	.0749	$4.700
Mercury Marquis Brougham	$ 9.605	.0749	$4.750
Dodge 600	$ 9.419	.0657	$4.500
Traditional Category			
Pontiac Bonneville	$ 9.584	.0841	$4.600
Oldsmobile Cutlass Supreme	$ 9.918	.0841	$5.000
Specialty/Position Upgrades			
Ford Thunderbird	$ 9.755	.0836	$5.000
Mercury Cougar	$10.053	.0836	$5.100
Pontiac Grand Am	$ 9.192	.0652	$4.600
Buick Somerset Regal	$ 9.613	.0652	$4.800
Oldsmobile Calais	$ 9.587	.0652	$4.800

Selection Criteria
Cargo Carrying Capacity Primary
Resale Value Primary

Functional Compact Group

	Acquisition Cost	Operating Cost Cents/Mile	Resale Value
Plymouth Reliant	$8.332	.0652	$3.800
Dodge Aries	$8.332	.0652	$3.800
Ford Tempo GL	$8.173	.0688	$3.800
Mercury Topaz GS	$8.383	.0688	$3.850
Oldsmobile Firenza	$8.216	.0615	$3.900
Pontiac Sunbird	$7.790	.0615	$3.600
Chevrolet Cavalier	$7.505	.0615	$3.400
Buick Skyhawk	$8.221	.0615	$3.900
Chevrolet Citation[1]	$8.261	.0676	$3.700
Buick Skylark[1]	$8.617	.0676	$4.000

Selection Criteria
Fuel Economy Primary
Acquisition Cost Primary
Passenger Space Secondary
Cargo Carrying Capacity Secondary

Efficiency Subcompact Group

	Acquisition Cost	Operating Cost Cents/Mile	Resale Value
Dodge Omni	$7.282	.0676	$2.800
Plymouth Horizon	$7.282	.0676	$2.800
Chevrolet Chevette	$6.589	.0658	$2.500
Pontiac 1000	$6.860	.0658	$2.600
Ford Escort	$7.286	.0683	$2.900
Mercury Lynx	$7.486	.0683	$3.000
AMC Alliance L	$7.656	.0627	$3.000
AMC Encore S	$7.563	.0627	$2.950

Selection Criteria
Acquisition Cost Primary
Fuel Economy Primary
Cargo Carrying Capacity Secondary
Passenger Space Secondary

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LMV Recommendations

LMV recommends that when you make your fleet purchase decision you keep one eye on the future. The time to begin thinking about disposal of your used car is actually when you order it new. How that new vehicle is equipped will, to a large degree, determine the value of that vehicle when it comes time to dispose of it a year or two down the road, says LMV.

A lot of factors determine what you can expect to receive for a used vehicle. The obvious factors are make and model, general condition, mileage and the current state of the used car market.

Future of the V-8 Engine

Is there a trend toward phasing out V8 engines? They will still be available on selected models, but V8's will add disproportionately to the overall cost (and be less available) in 1985.

Many now say that technical advancements in the V6 have made them as powerful as the traditional V8 and that automakers don't want to build them any longer.

An important point, says LMV, is delivery time of V8 equipped vehicles. It is apt to be considerably longer than for V6's in 1984-85. The four-cylinder engine, meanwhile, is now standard on most subcompacts, compacts and some intermediates, with the V6 recommended for larger sizes. The reason continues to be fuel efficiency.

LMV perceives the trend toward front-wheel drive to be gathering momentum. Demand for FWD continues to grow and domestic automakers are adding new FWD models every year, including mid-size and luxury class models. You can still order RWD cars for 1985, but LMV believes the choices will continue to narrow in the future.

According to LMV, the introduction of the mini-vans is probably the year's biggest news. Although only Chrysler's Dodge Caravan and Plymouth Voyager are currently available, Ford and GM will bring their versions to the market in the '85 model year.

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[1] The remaining vehicles in the X car lineup, the Pontiac Phoenix and Oldsmobile Omega, have been discontinued for the 1985 model year.

Leasing Company Recommendations

(Continued from page 16)

McCullagh Recommendations

Managing a fleet is not easy, says McCullagh. There are many complex issues a manager has to consider before making decisions that define the company's fleet, and substantially impact the company's bottom line.

Fleet decisions should be based on the manager's best effort to assess the whole range of factors that impact the performance of the fleet — some are measurable factors, such as acquisition costs, running and standing costs and probable resale value. And others are non-quantitative factors, such as driver acceptance, company image, the vehicle's role as a benefit or incentive within the company.

Purpose of the Vehicle

McCullagh suggests that managers should always keep one notion clearly in front of them: application. What purpose does this vehicle serve the fleet?

Once you are clear about what the vehicle is to accomplish, then the relative importance of other factors falls into place, says McCullagh. Taking the vehicle's application as the central criterion, McCullagh has grouped the 1985 models into three functional categories: "Standard," "Management," and "Executive" applications. Within each category, they have further grouped the vehicles according to overall comparability — i.e., how the cars line up against each other vis-a-vis overall dimensions, interior space, price category, economy of operation, image, etc. These subgroupings should allow you to identify the vehicles most appropriate to the particular mix of values at work in your company.

Standard Fleets

These vehicles typically serve a marketing function (sales/services).

4 Door	2 Door
CLASS S-1	
Chevrolet Impala	
Dodge Diplomat	
Plymouth Gran Fury	
CLASS S-2	
	Buick Regal
	Chevrolet Monte Carlo
Ford LTD Brougham	
	Ford Thunderbird
Mercury Marquis Brougham	
Chrysler LeBaron GTS	
Dodge Lancer	
	Mercury Cougar
Oldsmobile Cutlass Supreme	Oldsmobile Cutlass Supreme
Pontiac Bonneville	
	Pontiac Grand Prix
	Buick Somerset Regal
	Pontiac Grand AM
	Oldsmobile Calais
CLASS S-3	
Buick Century	Buick Century
Chevrolet Celebrity	Chevrolet Celebrity
Plymouth Caravelle	
Dodge 600	Dodge 600
Ford LTD	
Mercury Marquis	
	Ford Mustang
	Mercury Capri
Oldsmobile Cutlass Ciera	Oldsmobile Cutlass Ciera
Pontiac 6000	Pontiac 6000
CLASS S-4	
Buick Skylark	
Chevrolet Citation	Chevrolet Citation
Chrysler LeBaron	Chrysler LeBaron
Ford Tempo	Ford Tempo
Mercury Topaz	Mercury Topaz
	Buick Somerset Regal
CLASS S-5	
Buick Skyhawk	Buick Skyhawk
Chevrolet Cavalier	Chevrolet Cavalier
Dodge Aries	Dodge Aries
Plymouth Reliant	Plymouth Reliant
Pontiac Sunbird	Pontiac Sunbird
Oldsmobile Firenza	Oldsmobile Firenza
CLASS S-6	
AMC Alliance	AMC Alliance
Chevrolet Chevette	Chevrolet Chevette
Dodge Omni	Dodge Charger
Ford Escort	Ford Escort & Exp.
Mercury Lynx	Mercury Lynx
Plymouth Horizon	Plymouth Tourismo
Pontiac 1000	Pontiac 1000

Management Vehicles

The vehicles in this class are recommended for functions where operating costs are balanced by other less tangible requirements.

4 Door	2 Door
CLASS M-1	
Buick LeSabre	Buick LeSabre
Chevrolet Caprice Classic	Chevrolet Caprice Classic
Ford LTD Crown Victoria	Ford LTD Crown Victoria
Oldsmobile Delta 88 Royale	Oldsmobile Delta 88 Royale
Pontiac Parisienne	
CLASS M-2	
	Buick Regal Limited
Chrysler New Yorker	
	Ford Thunderbird Heritage
	Mercury Cougar XR-7 LS
Oldsmobile Cutlass Supreme Brougham	Oldsmobile Cutlass Supreme Brougham
	Oldsmobile Cutlass Calais
Pontiac Bonneville Brougham	
	Pontiac Grand Prix Brougham

Executive Vehicles

Where luxury, control and prestige are the primary consideration, these cars are recommended.

4 Door	2 Door
CLASS E-1	
Cadillac Seville	
Lincoln Continental	
Cadillac Fleetwood	Cadillac Fleetwood
Cadillac Fleetwood Brougham	Cadillac Fleetwood Brougham

(Continued on page 20)

Leasing Company Recommendations

(Continued from page 18)

McCullagh continued

CLASS E-2	
	Cadillac Eldorado
	Continental Mark VII
CLASS E-3	
Cadillac Sedan Deville	Cadillac Coupe Deville
Lincoln Town Car	
CLASS E-4	
Buick Electra	Buick Electra
Buick Electra Park Avenue	Buick Electra Park Avenue
Cadillac Cimarron	
Chrysler Fifth Avenue	
Mercury Grand Marquis	Mercury Grand Marquis
Oldsmobile 98 Regency	Oldsmobile 98 Regency
Oldsmobile 98 Regency Brougham	Oldsmobile 98 Regency Brougham
CLASS E-5	
	Buick Riviera
	Buick Riviera T Type
	Oldsmobile Toronado Brougham

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PH&H Recommendations

In the short span of the last twelve months, the domestic automobile business seems to have changed dramatically, according to PH&H.

- Cars, especially big ones, seem to be in short supply.
- Trucks are even more scarce with most vans "sold out" for the model year.
- Inflation remains under control.
- There is a glut of oil — memories of the energy crisis get dimmer.
- The economy is in a vigorous recovery.

Against this backdrop, it is not surprising that pressure has increased for a return to larger cars and bigger engines. PH&H believes the fleet manager's response to this pressure is to maintain current policy. Dollars and cents alone are enough to make the case against allowing big cars on the selector. The choice of sensibly-sized, front-drive, four cylinder cars remains as economical defensible as ever, says PH&H.

Here's a look at the situation as it really is:

1. The media has highlighted renewed retail interest in big cars. But the media hasn't reported the facts. The sale of full size and luxury cars actually fell 2% from '83 to '84, from 24.7% down to the current 22.8%. At the same time, sales of U.S. — built Sub-Compacts rose to 32.3% of total sales. So contrary to media stories, the retail buying public is buying small — not big — cars in increasing numbers. This confirms the continued shift of the market to smaller cars, a trend which leads us to forecast good used car performance for new-generation four cyclinder cars bought this Fall.

2. No one can predict the oil supply situation while the Persian Gulf states remain in turmoil. A supply cut-off could force up the price of gas at the pump. So, PH&H recommends that you stick with fuel efficient cars.

3. Four-cylinder cars save money in fuel costs: The 2.5 mpg average difference between fours and sixes turn into $391.50 in fuel savings over a 27-month service life.

4. A six-cylinder engine adds over $200 to the cost of a new car, and most of the cost difference is not recovered at resale.

In light of these factors, PH&H continues to recommend cars selected on comparable value ... a combination of fuel economy, utility, style, comfort and market perception.

PH&H has divided their comparable value recommendations into five groups:

Best Value: The best all-around fleet vehicle offering the best combination of fuel economy, original cost, resale value, interior size, comfort, trim level and trunk space.

Sport/Specialty: Vehicles that add spice to your selectors. Their excellent resale performance will improve your overall depreciation.

Best Price: Choices for those companies desiring the lowest possible acquisition cost without size penalties.

Best MPG: Cars that will produce maximum fuel economy; an ideal list for a low mileage, urban environment.

Best Image: A selection of fuel efficient cars for companies that desire to give drivers extra luxury and comfort or for those companies who want to offer an up-graded vehicle for managers.

Best Value Group

PH&H recommends these vehicles as best for general use.

Make	Body Style
Buick Skylark Custom (X)	4-door
Buick Somerset Regal (N)	2-door
Chevrolet Celebrity CL	2- & 4-door
Dodge Lancer	2- & 4-door
Oldsmobile Calais	2-door
Pontiac 6000	2- & 4-door

Sport Specialty Group

The hottest segment in both new and used car markets is the Sport/Specialty segment. Today, these cars combine sporty styling with fuel efficiency. PH&H recommends that the following cars be included on either your Best Value or Best Image selector forms because of their ability to average down your depreciation costs.

Make	Body Style
Buick Somerset Regal	2-door
Chevrolet Camaro	2-door HB
Chrysler Laser	2-door HB
Dodge Daytona	2-door HB
Ford Thunderbird	2-door
Mercury Cougar	2-door
Oldsmobile Calais	2-door
Pontiac Firebird	2-door HB
Pontiac Grand AM	2-door

Best Price Group

Many companies have chosen to build their selectors on the basis of acquisition cost. The cars listed below offer an average estimated '84 price of $8,512. For those fleets where up front costs are the most important ones, PH&H recommends the following vehicles.

Make	Body Style
Chevrolet Cavalier CS	2- & 4-door
Chevrolet Citation	2- & 4-door HB
Dodge Aries	2- & 4-door
Ford Tempo GL	2- & 4-door
Mercury Topaz GS	2- & 4-door
Plymouth Reliant	2- & 4-door
Pontiac Sunbird	2- & 4-door

Best MPG Group

By the mid and late 80's, the only major fuel economy gains that can be made by vehicle selection will involve a shift to the cars PH&H categorizes as small. These car deliver an excellent level of fuel economy, reliability and resale performance. Although this size class is a good choice for those drivers in low-mileage, urban territories, PH&H does not recommend these cars for drivers who travel more than 2,000 miles per month.

Make	Body Style
Chevrolet Cavalier CS	2- & 4-door
Dodge Omni	2- & 4-door HB
Ford Escort	2- & 4-door HB
Mercury Lynx	2- & 4-door HB
Plymouth Horizon	2- & 4-door HB
Renault Alliance DL	2- & 4-door

Best Image Group

Many companies use the company car as a recognition, an inducement to employment, or an indication of status. The cars listed below offer prestige coupled with fuel efficiency comparable to that offered by cars on PH&H's "Best Value" list.

Make	Body Style
Buick Century Custom	2- & 4-door
Chrysler H-body	4-door
Ford Thunderbird	2-door
Mercury Cougar	2-door
Olds Cutlass Ciera LS	2- & 4-door
Pontiac 6000 LE	2- & 4-door

USFL Recommendations

United States Fleet Leasing comments that the first step in controlling fleet costs is the selection of appropriate vehicles for fleet usage. There are two major elements in the process. The first is selecting those vehicles which meet your company's requirements. Such considerations as size of vehicles, carrying capacity, two-door versus four-door and the types of vehicles for various classifications of employees should be resolved first.

The second key factor, according to USFL, is the cost and the ultimate resale value of each of the vehicles. USFL believes strongly that effective control of depreciation begins with selecting those vehicles which have an appropriate original cost and also return the highest value when retired from fleet service.

USFL continues to recommend mid-size sedans for most business fleets. They are simultaneously roomy and economical, and have relatively low total cost to the fleet user. Of the 19 mid-size sedans evaluted for 1985 fleet use, these are USFL's top choices:

Make and Model

1. Chevrolet Celebrity
2. Dodge 600/Plymouth Caravelle
3. Dodge Aries/Plymouth Reliant
4. Pontiac 6000
5. Chevrolet Citation II

USFL's specific model recommendations are based upon their projected total cost for 24 months. They have grouped the 1985 models by size categories.

Sub-Compact Sedans: The only domestic sedans in this category are the Chevrolet Chevette and Pontiac 1000. They are the least costly of all the 1985 models evaluated by USFL.

Compact Sedans: The clear leader in the compact category is the Chevrolet Cavalier. Runners-up are the Ford Escort L, Renault Encore S, and Mercury Lynx L.

Mid-Size Sedans: USFL evaluated nineteen mid-size 1985 models. The number one finalist was the Chevrolet Celebrity. Following the Celebrity are the Dodge 600, Plymouth Caravelle, Dodge Aries, Plymouth Reliant, Pontiac 6000, and Chevrolet Citation II.

Large Sedans: The Chevrolet Caprice Classic and Impala are once again the cost leaders among the large sedans, followed by Delta 88 Royale, Le-Sabre Custom, and Pontiac Parisienne.

Specialty Coupes: The most cost-effective cars in this category, according to USFL's projections, are the brand-new front-wheel drive GM-20 coupes: Pontiac Grand Am, Oldsmobile Calais, and Buick Somerset Regal. At a considerable relative cost disadvantage are the more conventional Monte Carlo, Cutlass Supreme, Grand Prix, and Thunderbird. ■

1985 Vehicle Specifications

(Continued from page 8)

Make	Wheelbase	Overall Length	Curb Weight	Standard Engine	Cargo Area
Specialty Cars (continued)					
Dodge Conquest	95.9	173.2	2.822	4/2.6	10.3
Dodge Daytona	97.1	175.0	2.528	4/2.2	16.9
Ford EXP	94.2	170.3	2.156	4/1.6	29.8
Ford Mustang	100.5	179.1	2.775	4/2.3	10.0
Lincoln/Mercury Capri	100.5	179.1	2.775	4/2.3	30.0[1]
Nissan 200 SX	94.5	176.2	2.603	4/2.0	19.6
Nissan 280 ZX	91.3	174.0	2,796	6/2.8	15.6
Plymouth Conquest	95.9	173.2	2,822	4/2.6	10.3
Pontiac Fiero	93.4	160.7	2,591	4/2.5	5.85
Pontiac Firebird	101.0	189.8	3,074	4/2.5	30.9[1]
Toyota Celica GT	98.4	176.8	2,459	4/2.4	16.9
Toyota Supra	102.9	183.5	2,974	6/2.8	13.8
Volkswagen Scirocco	94.5	165.7	2,181	4/1.8	23.7

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NAFA Bulletin

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September 1984

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NAFA Roster Up-Date
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New Car Acquisition Survey Reveals:

For 1985, Shift to Mid-Size

The 1985 model year will be marked by a continuing shift to mid-size cars, away from compacts, according to NAFA's annual new car acquisition survey.

NAFA Exclusive

The continuing move to mid-size units is well documented in the survey. In the 1983 model year, 26 percent of the new car acquisitions were mid-size units; in 1984 this number rose to 35 percent, and for 1985 it will increase to 54 percent of the new car orders.

A total of 250 fleets (197 sales and service fleets, along with 17 public utility fleets and 36 government fleets) participated in the survey. These fleets operate a total of 192,245 passenger cars.

The responding fleets plan to acquire the same percentage of new vehicles in the 1985 model year as they did in 1983 and 1984 — 37 percent of their total units.

In addition to the shift away from compacts and sub-compacts, the survey reveals a substantial jump in the number of large cars that will be ordered in 1985. However, it must be noted that this category includes vans.

Twenty-nine sales and service fleets say they plan to order some new mini-vans during the coming model year, although some fleet managers expressed doubts about their availability.

Manufacturing-Industrial Group

The Manufacturing-Industrial Group consists of 29 fleets operating 33,313 passenger cars (10,067 company-owned and 23,246 leased).

The current composition of these fleets is 63 percent compacts; 31 percent mid-size cars; five percent large cars, and less than one-half of one percent sub-compacts. During the 1984 model year these fleets acquired 10,892 new cars.

The fleets in the Manufacturing-Industrial Group plan to acquire 13,666 new vehicles during the 1985 model year. No fleet in the group will lease or purchase any sub-compacts in the coming model year. Of the new car orders, 47 percent will be compacts; 50 percent mid-size cars, and three percent large cars. Nearly 70 percent of all new car orders will be for middle or top-of-the-line vehicles.

(Note: This group includes one extremely large fleet that plans to acquire 5,000 new generation vans during the 1985 model year. These vehicles are not included in the overall breakdown of new vehicle acquisitions in order not to distort the results.)

Four fleets in the group plan basic changes in their vehicle policies for 1985. One fleet is switching to mini-vans; one is switching from mid-size to compact cars, while the other two are switching from compacts to mid-size cars.

Twelve fleets report they intend to order some of the new vans (about two percent of the total new car orders for 1985, although some expressed reservations about their availability). Seventy-one percent of the new car orders will be four-door sedans, with station wagons accounting for 19 percent of the new vehicle orders. Four percent of the new cars will be five-door hatchbacks, with three percent of the orders for two-door sedans. Sport models and three-door hatchbacks each will account for less than one-half of one percent of the orders.

Six fleets in the group said they plan to order some specialty cars in 1985; two fleets plan to order

Units Continuing

a handful of imports, while six fleets say they have some imports already in service.

Two fleets are making basic changes in the engines ordered for new cars — from six to four cylinder power plants. Five fleets in the group report they plan to equip at least some of their 1985 models with manual transmissions.

Three-fourths of the fleets acquiring compact cars equip them with four cylinder engines; the same percentage order their mid-size cars with six cylinder engines, while all but four fleets ordering any large cars specify an eight cylinder engine for these vehicles.

Cruise control continues to increase in popularity as an option ordered on all cars. Among the 26 fleets planning to acquire mid-size cars, 18 will have cruise control on all of them. Of the 18 fleets ordering compacts, 10 will equip all cars in this category with cruise control.

Twenty-five of the 29 fleets in the group permit the operator to choose the make of car desired (from a selector list), while 16 fleets give the driver a choice of model. In addition, 15 fleets allow the operator to add additional equipment at his or her own expense. The most common options available are power door locks, windows, and tilt steering wheel.

Four fleets in the group do not give the employee any voice (except choice of color) in the selection of the company-provided car.

Manufacturing-Consumer Group

The Manufacturing-Consumer Group participating in the annual new car acquisition survey consists of 21 fleets operating 13,340 passenger cars (5,820 leased and 7,520 company-owned).

The current composition of these fleets is two percent sub-compacts; 61 percent compacts; 32 percent mid-size, and five percent large cars. During the 1984 model year these fleets leased or purchased 4,835 new vehicles.

The fleets in the Manufacturing-Consumer Group plan to acquire 4,813 new cars during the 1985 model year. Three percent of the new cars will be sub-compacts; 16 percent compacts; 77 percent mid-size, and four percent large cars.

Three fleets in the group are planning major changes in their new car acquisition policies: one fleet is dropping sub-compacts; one is switching from large to mid-size cars, while the third is moving away from compacts to mid-size vehicles.

Eighty percent of the 1985 models the group will order will be middle line models. Top-of-the-line models will account for eight percent of the new car orders, with 12 percent for bottom line units.

Six fleets in the group plan to order some new mini-vans (about four percent of the new car orders). Four-door sedans will account for 68 percent of the new models ordered. Station wagons will take 17 percent of the orders; two-door sedans six percent; five-door hatchbacks five percent. No fleet in the group plans to order three-door hatchbacks or sport models.

Four fleets in the group say they will order some two-door specialty cars during the 1985 model year. One fleet says it will order a few imports, and seven fleets say they already have a handful of import cars in service.

The pattern of engine use in this group is similar to all others — compacts have four cylinder engines; most mid-size cars have six cylinder engines, and almost all large cars have eight cylinder engines.

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New Car Acquisition Survey

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Four fleets in the group are planning major changes in their engine specifications for 1985: two are switching from sixes to four cylinder engines, while the other two, conversely, are switching from fours to six cylinder engines. One fleet in the Manufacturing-Consumer Group plans to equip at least some of its new small cars with manual transmissions. One fleet reported that it is taking the final step in converting all its vehicles to be equipped with air conditioning as standard equipment.

> ***"Cruise control continues its growth as an option becoming standard equipment. It will be installed on all cars of 10 and 12 fleets ordering large cars in the Manufacturing Industrial Group."***

Cruise control continues its growth as an option becoming standard equipment. It will be installed on all cars of 10 of the 12 fleets ordering large cars; 16 of the 20 fleets ordering mid-size cars, and in five of the nine fleets ordering compact cars. Two of the fleets ordering sub-compacts are also specifying cruise control on all vehicles.

Seven fleets in the group give the operator no choice (except color) in the assigned fleet car. Of the 14 fleets permitting a choice, all allow the operator to select the make; eight give a choice of model, four permit the driver to select a desired engine, and one allows a choice of manual or automatic transmission. Twelve fleets permit the assigned driver to purchase additional optional equipment at his or her own expense.

Chemical & Petroleum Group

The Chemical & Petroleum Group consists of 29 fleets operating 24,479 passenger cars (7,972 leased, 16,507 company-owned). The current composition of the fleets is 11 percent compacts; 67 percent mid-size, and 22 percent large cars.

During the 1984 model year the fleets in this group acquired 6,778 new cars. They plan to acquire 7,542 new vehicles during the 1985 model year.

Two fleets in the Chemical & Petroleum Group are making major changes in their acquisition policies: one is dropping both sub-compacts and compacts, while the other is switching from mid-size to large cars because "mid-size cars are too low to the ground for off-road right-of-way inspections."

Sixty-three percent of the group's 1985 new car orders will be for mid-size units; 19 percent for compacts, and 18 percent for large cars. The Chemical & Petroleum Group has the largest percentage of large cars of any U.S. commercial fleet group. No fleet in the group is planning to acquire any sub-compacts in the coming model year.

Only six percent of the group's 1985 new cars will be top-of-the-line models; 66 percent will be middle line models, while 27 percent will be bottom line models (here, too, the Chemical & Petroleum Group is the leader, as in large cars).

Only two fleet in the group are planning to acquire any new mini-vans, less than one-half of one percent of the total new car orders. Four-door sedans will account for 94 percent of the new car acquisitions, with station wagons getting about five percent of the orders, and two-door sedans one percent. No fleet in the group is planning to order any three-door hatchbacks or sport models.

> ***"The Chemical & Petroleum Group has the largest percentage of large cars of any U.S. commercial fleet group."***

No fleet that responded to the new car acquisition survey is planning to acquire any two-door specialty models. One fleet reports it will order a few imports, while two fleets have a few imports currently in service.

Two fleets in the group will change their engine specifications for 1985 models — one is switching away from eights to four and six cylinder engines, while the other is switching from sixes to fours.

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Changes in NAFA Car Size Categories (Weight/Wheelbase)

Year	Sub-Compact	Compact	Mid-Size	Large
1979	Under 100" Under 2,500 lbs.	100-106" 2,500 - 3,000	106-114" 3,001 - 3,500	Over 114" Over 3,501
1981	Under 100" Under 2,300 lbs.	100-106" 2,300 - 2,799	106-114" 2,800 - 3,399	Over 114" Over 3,400
1983*	Under 99" Under 2,199 lbs.	100-104" 2,200 - 2,599	105-108" 2,600 - 3,199	Over 108" Over 3,200

* 1985 categories remain the same.

New Car Acquisition Survey

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Three fleets report they are planning to order some of their 1985 models with manual transmissions.

At the present time, almost all compacts in this group's fleets are equipped with four cylinder engines; 60 percent of the mid-size cars have six cylinder engines; 25 percent have four cylinder engines, and 15 percent have eight cylinder engines. Nineteen of the 23 fleets ordering large cars will specify an eight cylinder engine for those vehicles.

> ***"In the Drug & Cosmetic Group, often a trendsetter, tilt steering wheel is becoming almost as frequent as an option ordered for every car as cruise control."***

As in other groups, cruise control continues to grow as an option becoming standard equipment. Among 18 fleets ordering large cars, it will be standard on 14 of them. Of the 20 fleets planning to acquire mid-size cars, 13 will specify cruise control on all vehicles, as will four of the six fleets acquiring compact cars during the 1985 model year.

Twenty-five of the 29 fleets in the Chemical & Petroleum Group give the operator some voice in the new vehicle selection process. Twenty-four permit choice of the make of car; 12 allow a choice of model; eight permit the operator to choose the engine; three the transmission, and eight fleets permit extra equipment to be added to the employee's expense. Only four fleets in the group give the operator no voice in the selection of the company-provided car.

Drug & Cosmetic Group

Thirty-two fleets operating 25,728 passenger cars (24,189 leased, 1,539 company-owned) make up the Drug & Cosmetic Group participating in the annual new car acquisition survey. The current composition of these fleets is two percent sub-compacts; 21 percent compacts; 70 percent mid-size, and seven percent large cars.

The fleets in the Drug & Cosmetic Group acquired 10,302 new cars during the 1984 model year. They plan to lease or purchase 10,146 new vehicles during the 1985 model year. Of their new car acquisitions, one percent will be sub-compacts; 11 percent will be compacts; 83 percent will be mid-size, and five percent will be large cars. No fleet in the group is planning any basic change in its fleet car policy, although the trend to mid-size cars is growing stronger.

Three fleets in the group are planning to add some new mini-vans during the coming model year. Sixty-six percent of the new car orders will be for four-door sedans; 23 percent for two-door sedans (the highest percentage of any group); five percent for station wagons; three percent for five-door hatchbacks, and one percent each for three-door hatchbacks and sport models.

U.S. Composite Fleet

(Excluding Government & Public Utility Cars)

Number of Fleets Responding	**197**
Number of Vehicles	**149,365**
Average Fleet Size	**758**
Current Composition of Composite Fleet:	
Sub-Compacts	**30**
Compacts	**311**
Mid-Size	**349**
Large	**68**

Nine fleets in the group plan to order two door specialty models. Five fleets say they plan to acquire some imports in the 1985 model year, while 11 fleets report they already have some imports in service.

Ninety-three percent of the group's new car orders will be middle or top-of-the-line models, with only seven percent for bottom line models.

Four cylinder engines are almost the unanimous choice of the group for their compact cars; while a large majority plan to use six cylinder engines in their mid-size cars, and a smaller majority will equip their large cars with eight cylinder engines.

Four fleets in the Drug & Cosmetic Group are planning major engine changes for 1985 — two are switching from six cylinder engines to four's, while the other two are going the other way, switching fours to sixes.

Two fleets in the group will be equipping at least some of their 1985 compacts and mid-size cars with manual transmissions.

In the Drug & Cosmetic Group, often a trendsetter, tilt steering wheel is becoming almost as frequent an option ordered for every car as cruise control. For example, among the 18 fleets ordering large cars, 12 are ordering all cars with tilt wheel and 15 are equipping them with cruise control. Among the 31 fleets ordering mid-size cars, 11 plan to equip them with tilt wheel and 13 with cruise control.

Twenty-nine of the 32 fleets in the group give the operator a choice of make or model new car to be ordered; only three do not give the employee a voice in the new car selection process. Of the 29 offering a choice, 25 fleets permit a choice of make of car; 21 allow the operator to select the model desired; two permit a choice of engine, and three the type of transmission desired. Twenty-six fleets permit assigned operators to add additional items of optional equipment to the vehicle — at their personal expense.

Food & Beverage Group

The Food & Beverage Group consists of 23 fleets operating 12,378 passenger cars (9,109 company-

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New Car Acquisition Survey

(Continued from page 10)

owned, 3,269 leased). The current composition of these fleets is compacts — 26 percent; mid-size cars — 69 percent; large cars — five percent. There are fewer than one-half of one percent sub-compact cars in the group's total fleet.

During the 1984 model year these fleets acquired 5,067 new cars. In the 1985 model year they plan to acquire 4,866 new vehicles. Of the new cars to be ordered, 66 percent will be mid-size cars; 30 percent will be compacts, and three percent will be large cars. Again, less than one-half of one percent will be sub-compacts. They are being ordered by only two fleets in the group.

Four fleets in the Food & Beverage Group say they plan to order new mini-vans during the 1985 model year. Seventy-five percent of their orders will go to four-door sedans; 10 percent for two-door sedans; six percent for sport models; three percent for station wagons, and one percent for each three-door and five-door hatchbacks.

Middle line cars will account for 80 percent of the group's new vehicle orders, with 12 percent going for top-of-the-line models, and eight percent for bottom line cars.

Four fleets plan to order some two door specialty cars in 1985. One fleet plans to acquire a handful of imports in the coming model year, while nine fleets report they already have some imports in service.

> ***"Two fleets in the Food and Beverage Group are planning major policy changes in engine use for 1985 — both switching from six cylinder power plants to four cylinder engines."***

Practically every fleet in the group equips its compact cars with a four cylinder engine. Six cylinder engines outnumber fours by two to one in the mid-size category, while eights barely outnumber sixes in the large car category.

Two fleets in the group are planning major policy changes in engine use for 1985 — both switching from six cylinder power plants to four cylinder engines. One fleet, in addition, is switching to manual transmissions.

Of the 19 fleets ordering mid-size cars, 15 will equip all vehicles with cruise control and nine with tilt steering wheel. Among the 13 fleets ordering large cars, nine will have cruise control in all cars, while eight will order them with tilt wheel.

Fifteen fleets in the Food & Beverage Group give the assigned operator a choice of make or model car desired. Eight fleets do not permit the driver a choice, except for color. Of the 15 fleets giving a choice, 14 allow the driver to select the make of car desired; six permit choice of model; four allow a choice of transmission, and one the car's engine. Seven fleets in the group allow the employee additional items of optional equipment at his or her expense.

Insurance Group

The Insurance Group consists of 39 fleets operating 34,762 passenger cars (21,048 company-owned, 13,714 leased). The current composition of these fleets is sub-compacts, 13 percent; compacts, 58 percent; mid-size, 27 percent, and large cars, two percent.

During the 1984 model year these fleets acquired 12,677 new cars. In 1985 they plan to lease or purchase 12,236 new vehicles. Of their new vehicle acquisitions, 16 percent will be sub-compacts (the highest percentage of any commercial group); 46 percent compacts; 36 percent, mid-size, and two percent large cars. Only two fleets in the Insurance Group are planning basic changes in their new car policy — one is switching to mid-size units from compacts, while the other is going in the opposite direction, from mid-size to compact cars.

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U.S. Commercial Fleet Summary

Group	Number of Cars	Owned	Leased	Current Composition				1984 New Car Acquisitions	1985 Planned New Car Acquisitions				
				Sub-Compact	Compact	Mid-Size	Large			Sub-Compact	Compact	Mid-Size	Large
Drug & Cosmetics (32)	25,728	1,539	24,189	376	5,467	18,025	1,860	10,302	10,146	100	1,106	8,472	468
Food & Beverage (23)	12,378	9,109	3,269	60	3,199	8,531	588	5,067	4,866	9	1,492	3,200	165
Manufacturing—Consumer (21)	13,340	7,520	5,820	250	8,202	4,207	681	4,835	4,813	155	784	3,698	176
Manufacturing—Industrial (39)	33,313	10,067	23,246	211	21,064	10,283	1,755	10,892	13,666	—	4,110	4,290	266
Chemical & Petroleum (29)	24,479	16,507	7,972	—	2,590	16,360	5,529	6,778	7,542	—	1,462	4,718	1,362
Insurance (39)	34,762	21,048	13,714	4,487	20,098	9,400	777	12,677	12,236	1,915	5,627	4,433	261
Miscellaneous (14)	5,365	1,628	3,737	40	950	1,887	2,488	1,774	1,743	—	126	811	806
Totals (197)	149,365	67,418	81,947	5,424	61,570	68,693	13,678	52,325	55,012	2,179	14,707	29,622	8,504

New Car Acquisition Survey

(Continued from page 12)

Two fleets in the group say they plan to acquire a few mini-vans during the 1985 model year. Seventy-six percent of the new car orders will be four-door sedans. Two-door sedans will account for 13 percent of the orders; five-door hatchbacks will give nine percent of the new car orders, while station wagons will account for only one percent, and three-door hatchbacks for less than one-half of one percent. No fleet in the group plans to order any sport models.

Eighty percent of the new cars will be middle line models; 15 percent will be top-of-the-line cars, and only five percent will be bottom line cars.

> ***"In discussing engine use, every fleet in the Insurance Group uses a four-cylinder engine in its sub-compacts, with the same size engine the overwhelming favorite for compacts as well.***

Two fleets in the Insurance Group say they will order a few two-door specialty models. No fleet is planning to purchase or lease any imports during the 1985 model year, although four fleets do have some imports already in service.

In discussing engine use, every fleet in the group uses a four cylinder engine in its sub-compacts, with the same size engine the overwhelming favorite for compacts, as well. The majority of mid-size cars have six cylinder engines, and the V-8 is still the most popular engine for the few large cars in the insurance companies fleets.

Two fleets in the group are switching to four cylinder engines for the 1985 model year. No fleet is planning to use any large engines than are now in use. One fleet of the 39 in the group is planning to order its 1985 models with manual transmissions.

> ***"Twelve fleets in the Insurance Group allow employees assigned a company-provided car to purchase at their expense additional items of optional equipment."***

Of the 28 fleets that will order compacts in 1985, 16 will equip them with cruise control; seven will also include a tilt steering wheel as standard equipment. Twenty-one fleets will be ordering mid-size cars. Among these fleets, 15 will include cruise control as standard equipment on all cars in this category while 11 will include tilt wheel as standard equipment. Among the eight fleets ordering some large cars, seven fleets specify cruise control as standard equipment and six will include tilt wheel. Only two of the five fleets ordering sub-compacts will equip those vehicles with cruise control and only one adds the tilt wheel as standard equipment.

U.S. Composite Survey Fleet

1980-1984 Model Years

(Excluding Government & Public Utility Fleets)

	1980	1981	1982	1983	1984
Number of Cars in Fleet	794	750	762	632	758
Current Composition of Fleet					
Sub-Compacts	24	15	23	12	30
Compacts	234	348	404	323	311
Mid-Size	429	420	282	240	349
Large	103	67	53	57	68
Actual Acquisitions in Previous Year	303	284	274	211	266
Planned New Car Acquisitions in Coming Model Year	308	302	284	232	279
Sub-Compacts	31	21	19	2	11
Compacts	154	205	185	133	75
Mid-Size	108	67	74	81	151
Large	15	9	6	16	42

Of the 39 fleets in the Insurance Group, 26 give the assigned driver some choice in the new car selection; 13 do not allow any choice. Of the 26 permitting some choice, 22 allow a choice of make of car; 13 give a choice of model; two permit the operator to decide on the transmission, and one permits a choice of engine. Twelve fleets allow employees assigned a company-provided car to purchase at their expense additional items of optional equipment.

Miscellaneous Group

The Miscellaneous or "Other" Group (composed of those fleets that do not belong to any of the standard categories) consists of 14 fleets operating 5,365 vehicles (1,628 company-owned, 3,737 leased).

The current composition of these fleets is one percent sub-compacts; 17 percent compacts; 35 percent mid-size cars, and 47 percent large vehicles, including a substantial percentage of vans.

The group acquired 1,774 new vehicles in 1984 and plans to acquire 1,743 during the 1985 model year. Seven percent of the new vehicles will be compacts; 47 percent will be mid-size cars, and 46 percent will be large vehicles. More than half of the large vehicles will be vans.

Excluding the vans, 87 percent of the group's new car orders will be four-door sedans; five percent will be station wagons, with four percent two-door sedans. None of the fleets plan to order three- or five-door hatchbacks or sport models.

Two fleets plan to acquire a few two-door specialty models; one fleet will order some imports during the 1985 model year, and one fleet reports it has some imports already in service.

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New Car Acquisition Survey

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In specifying engines for its cars, the fleets in this group follow the same pattern established in other segments — four cylinder engines in compacts; six cylinders for mid-size, and eight cylinders for large cars.

To a remarkable degree, the fleets in this group are staying with their present car policies. None are planning to change the car size they order; no changes will be made in engine use, or transmissions.

Ten of the 14 fleets in this group will be acquiring large cars in 1985. Eight of the 10 will specify cruise control on all vehicles in this size category, seven are ordering the cars with tilt wheel, and all 10 are equipping their large cars with AM/FM stereo (the only group to do so). Seven of the 12 fleets ordering mid-size cars will equip all units with cruise control;,four with tilt wheel.

Only eight of the 14 fleets give the operator a choice of make or model in new car selection. Six permit no choice by the assigned driver. Of the eight fleets offering a choice, seven allow a choice of car make; four permit choice of model; three a choice of engine, and two the transmission. Five allow the driver to add optional equipment at personal expense.

Public Utilities

The Public Utility Group consists of 17 fleets operating 21,432 passenger cars (19,110 company-owned, 2,322 leased). The current composition of these fleets is 25 percent sub-compacts; 48 percent compacts; 24 percent mid-size, and three percent large cars.

During the 1984 model year these fleets acquired 2,524 new vehicles. They plan to acquire 3,408 passenger cars and vans during the 1985 model year.

Four fleets in the Public Utility Group are planning major changes in their car policies — one is switching to sub-comapcts from compacts; one is switching from large to compacts; one is moving from large to mid-size, and the final fleet is moving from mid-size to compact cars.

Seventy-three percent of the group's 1985 new car acquisitions will be compact cars; 13 percent will be sub-compacts; 12 percent will be mid-size cars, and two percent large cars. More than 70 percent of the new car acquisitions will be middle line models, with only two percent of the vehicles top-of-the-line models.

New Car Orders By Body Style — U.S. Fleets
(Percentage of New Car Orders)

3-door hatchback	*
5-door hatchback	4%
Station Wagon	7%
2-door sedan	10%
4-door sedan	74%
Sport Model	1%
Van	3%

*Mentioned, but less than ½ percent. (Total may not equal 100% due to rounding.)

Three fleets in the group are planning to order some new mini-vans during the coming year (only slightly more than one percent of the total new car orders). Four-door sedans will account for 90 percent of the new car orders, with five-door hatchbacks accounting for eight percent. One percent of the orders will be for station wagons.

No fleet in the Public Utility Group is planning to order any two-door specialty models or acquire any imports during the coming model year. However, two fleets did report they had some imports already in service.

The Public Utility fleets participating in the annual new car acquisition survey followed the same pattern in engine use as the other segments of the survey: four cylinder engines in sub-compacts and compacts; six cylinder engines in mid-size cars, and eight cylinder engines in their few large cars.

> ***"Three fleets in the Public Utility Group are planning to order some new mini-vans during the coming year (only slightly more than one percent of the total new car orders.)"***

Two fleets are planning major changes in their engine policy for 1985. One is switching from fours to sixes in their mid-size cars, while the other is switching to the smaller four cylinder engine. One fleet plans to order manual transmissions with its four cylinder engine cars. One other fleet plans to decrease the number of cars it orders with air conditioning.

None of the public utility fleets permit the operator to add optional equipment to the specified fleet car, and none give the employee any choice in the vehicle selection.

The fleets ordering large cars equip them completely. Seven of the 11 fleets ordering these vehicles include tilt wheel as standard equipment, while eight order the cars with cruise control. Seven of the 13 fleets ordering mid-size vehicles equip all units with cruise control.

Government Group

The Government Group consists of 36 fleets operating 21,448 passenger cars. Within the group we have divided the participating fleets into three segments — law enforcement, government agencies other than law enforcement, and educational institutions.

The Law Enforcement segment consists of 14 fleets operating 9,437 passenger cars (31 vehicles are leased, 9406 are agency-owned). Eighty-four percent of the vehicles are large cars; 15 percent are mid-size vehicles, and less than one-half of one percent each are compacts and sub-compacts.

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Summary of Options On All Cars

Group	AM/FM Stereo	Power Disc Brakes	Power Steering	Automatic Trans.	S/B/R Tires	Air Cond.	Tinted Glass	Vinyl Roof	Tilt Wheel	Power Door Locks	Power Windows	Cruise Control
Drug & Cosmetics												
Large(18)	15	*	*	*	15	17	16	10	12	13	13	15
Mid-Size (31)	22	30	31	31	29	31	29	2	11	1	—	13
Compact (12)	8	10	12	12	12	12	11	1	2	—	—	5
Sub-Compact (2)	—	2	2	2	2	2	2	—	—	—	—	—
Food & Beverage												
Large (13)	9	*	*	*	11	12	9	7	8	9	9	9
Mid-Size (19)	13	17	19	18	17	19	17	1	9	1	—	15
Compact (12)	4	11	11	12	10	12	10	2	3	—	—	6
Sub-Compact (2)	—	1	2	2	2	2	1	—	—	—	—	—
Insurance												
Large (8)	8	*	*	*	8	8	8	4	6	5	5	7
Mid-Size (21)	12	20	21	20	18	21	21	2	11	1	3	15
Compact (28)	13	26	27	26	22	27	27	—	7	—	1	16
Sub-Compact (5)	4	5	5	5	5	5	5	—	1	—	1	2
Manufacturing-Industrial												
Large (17)	13	*	*	*	15	15	16	9	13	10	10	14
Mid-Size (26)	23	25	26	26	25	24	25	—	7	—	—	18
Compact (19)	12	17	18	18	17	17	17	—	4	—	—	10
Sub-Compact (5)	3	4	4	4	3	4	4	—	—	—	—	4
Manufacturing-Consumer												
Large (12)	12	*	*	*	11	12	11	5	6	7	6	10
Mid-Size (20)	15	18	20	19	14	20	19	2	3	4	4	16
Compact (9)	7	9	9	8	6	9	9	—	1	1	—	5
Sub-Compact (4)	3	4	4	3	3	4	4	1	1	—	—	2
Chemical & Petroleum												
Large (18)	15	*	*	*	11	16	16	3	5	6	5	14
Mid-Size (20)	10	18	18	17	15	20	19	—	4	1	1	13
Compact (6)	2	5	6	5	5	6	6	1	2	1	—	4
Sub-Compact (—)	—	—	—	—	—	—	—	—	—	—	—	—
Miscellaneous												
Large (10)	10	*	*	*	10	10	10	6	7	7	5	8
Mid-Size (12)	8	12	12	12	11	12	12	—	4	3	1	7
Compact (5)	3	5	5	5	5	5	5	—	—	1	—	1
Sub Compact (2)	2	2	2	2	2	2	2	—	—	—	—	—
Public Utility												
Large (11)	9	*	*	*	7	10	10	4	7	6	5	8
Mid-Size (13)	6	13	13	11	8	11	12	1	3	2	3	7
Compact (12)	2	10	12	10	7	11	10	—	—	—	—	3
Sub-Compact (5)	—	2	4	5	1	4	3	—	—	—	—	—
Law Enforcement Government, Education												
Large (22)	6	*	*	*	12	16	18	1	7	4	6	9
Mid-Size (26)	5	24	23	23	17	20	21	—	5	3	2	12
Compact (18)	3	13	14	13	12	12	14	—	1	1	2	7
Sub-Compact (13)	13	6	9	12	8	9	10	—	—	1	1	5

NOTE: The figure in ( ) beside the car size indicates the number of fleets in each group ordering that size car. The number under the items of equipment is the number of fleets in each group ordering the item for every car of that size at no expense to the operator.

*Standard equipment on Large cars.

'Initial Cost' Outranks Economy in Importance

For the first time in six years, "Economy of Operation" is not the most important factor in fleet car selection, according to 250 NAFA members who participated in the Association's annual new car acquisition survey.

One question in the new car survey asked fleet managers to rank six factors in fleet car selection in the order of importance to them. The six factors are Economy of Operation, Initial Cost, Depreciation/Resale Value, Serviceability (defined as freedom from down time), Fringe Benefit, and Prestige.

Chosen as the most important factor in the current survey was "Initial Cost." In second place was "Depreciation/Resale Value," while "Economy of Operation" dropped from first to third place. "Serviceability" remained in its usual fourth position, with "Prestige" and "Fringe Benefit" far behind in fifth and sixth place, respectively.

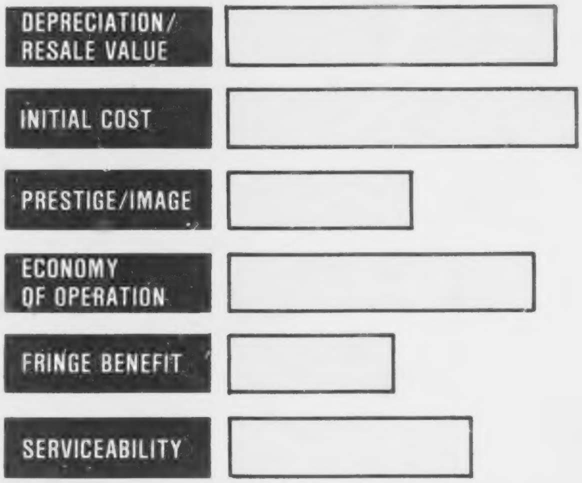
An examination of the ratings by specific industry groupings reveals some interesting differences. In five groups — Chemical & Petroleum, Manufacturing-Industrial, Manufacturing-Consumer, Miscellaneous, Public Utility, and Government — initial cost was ranked as the most important factor in fleet car selection.

Two groups — Insurance and Food and Beverage — rated economy of operation as the single most important factor in the selection process. One industry group — Drug & Cosmetics — rated depreciation/resale as the number one factor.

The ratings for each group are:

Manufacturing-Consumer: 1, initial cost; 2, economy of operation; 3, depreciation/resale value; 4, serviceability; 5, prestige, and 6, fringe benefit.

Chemical & Petroleum: 1, initial cost; 2, depreciation/resale value; 3, economy of operation; 4, serviceability; 5, prestige, and 6, fringe benefit.



Insurance: 1, economy of operation; 2, depreciation/resale value; 3, initial cost; 4, serviceability; 5, fringe benefit, and 6, prestige.

Manufacturing-Industrial: 1, initial cost; 2, depreciation/resale value; 3, economy of operation; 4, serviceability; 5, prestige, and 6, fringe benefit.

Drug & Cosmetics: 1, Depreciation/resale value; 2, initial cost; 3, economy of operation; 4, serviceability; 5, prestige, and 6, fringe benefit.

Food & Beverage: 1, economy of operation; 2, initial cost; 3, serviceability; 4, depreciation/resale value; 5, prestige, and 6, fringe benefit.

Miscellaneous: 1, initial cost; 2, depreciation/resale value; 3, economy of operation; 4, serviceability; 5, fringe benefit, and 6, prestige.

Public Utility: 1, initial cost; 2, economy of operation; 3, serviceability; 4, depreciation/resale value; 5, prestige, and 6, fringe benefit.

Government: 1, initial cost; 2, economy of operation; 3, serviceability; 4, depreciation/resale value; 5, prestige, and 6, fringe benefit.

New Car Acquisition Survey

(Continued from page 16)

During the 1984 model year the Law Enforcement Group fleets acquired 3,472 new vehicles. They plan to acquire 3,485 vehicles during the 1985 model year. Eighty percent of the new car orders will be for large cars; 20 percent for mid-size cars. One fleet in the group is planning a change in its vehicle policy — a number of its new car orders will be for mid-size units, rather than all large cars as in previous years.

The orders for large cars are fairly evenly divided between bottom, middle, and top-of-the-line models. Ninety-nine percent of the new car orders will be for four-door sedans, with one percent for two-door sedans. Two fleets say they plan to order a few new mini-vans (less than one-half of one percent of the total orders).

The overwhelming majority of police cars are equipped with eight cylinder engines, except for a few compacts and mid-size cars with six cylinder engines.

None of the police fleets is planning any major changes in its engine policy for the coming year, and, as might be expected, none of them gives its officers who drive the cars any choice in their selection process.

The non-police segment of the Government Group consists of 15 fleets operating 10,970 passenger cars (47 of them are leased). The current composition of these fleets is six percent sub-

(Continued on page 62)

FHWA Study Claims:

Compacts Cost 3¢ Less Per Mile To Operate than Large Cars

Operating expenses — fuel, oil, repairs and maintenance, and tire replacement — for a 1984 model-year compact car, driven 40,700 miles over three years, would be .0580 cents per mile, according to the most recent report from the Federal Highway Administration (FHWA).

In contrast, the operating expenses for a large car would be .0905 cents a mile. For an intermediate car the expenses would be .0731 cents a mile, while, for a sub-compact, the operating expenses would amount to .0552 cents a mile.

These figures were extracted from the "Cost of Owning and Operating Automobiles and Vans 1984," published by the Office of Highway Planning, Highway Statistics Division, Federal Highway Administration.

Based on 12-Year Car Life

The government study is based on an anticipated car life of 12 years and 120,000 miles of driving, with the number of miles driven declining each year. The government's starting point is 14,500 miles for the first year, 13,700 miles during the second year, and 12,500 miles in the third year.

Five American-made vehicles were chosen for the study: a large-size four-door sedan (Table 1), an intermediate-size two-door coupe (Table 2), a compact car (Table 3), a subcompact car (Table 4), and a 12-passenger van (Table 5).

The large car, weighing more than 3,500 pounds, is equipped with an 8-cylinder engine, automatic transmission, power steering and brakes, and air conditioning. It costs $11,554.

The intermediate car, weighing between 3,000 and 3,500 pounds, is equipped with a 6-cylinder engine, automatic transmission, power steering and brakes, and air conditioning. It costs $10,320.

The compact car, weighing between 2,500 and 3,000 pounds, is equipped with a 4-cylinder engine, automatic transmission, power brakes, and air conditioning. It costs $8,799.

The sub-compact car, weighing less than 2,500 pounds, is equipped with a 4-cylinder

(Continued on page 46)

Table 1
Estimated Cost of Owning and Operating
A Large-Size 1984 Model Automobile
(Total Costs in Dollars, Costs Per Mile in Cents)

Item	First Year (14.500 Miles)		Second Year (13.700 Miles)		Third (12.500 Miles)	
	Total Cost	Cost Per Mile	Total Cost	Cost Per Mile	Total Cost	Cost Per Mile
Cost Excluding Taxes						
Depreciation	2 879 00	19 86	1.776 00	12 96	1 545 00	12 36
Scheduled Maintenance	(86 18)	(59)	(110 55)	(81)	(149 60)	(1 19)
Nonscheduled Repairs and Maintenance	(14 00)	(10)	(62 36)	(45)	(341 10)	(2 73)
Total Repairs and Maintenance	100 15	69	172 91	1 26	490 70	3 92
Replacement Tires	19 54	13	18 41	13	27 30	22
Accessories	14 12	10	13 47	10	12 56	10
Gasoline	992 76	6 85	938 07	6 85	855 89	6 85
Oil	8 75	06	15 75	12	15 75	13
Insurance	635 00	4 38	635 00	4 64	635 00	5 08
Parking and Tolls	136 56	94	128 66	94	117 37	94
Total	4.785 88	33 01	3.698 27	27 00	3 699 57	29 60
Taxes and Fees						
State						
Gasoline	115 14	79	108 80	79	99 27	79
Registration	20 00	14	20 00	15	20 00	16
Titling	577 70	3 98	—	—	—	—
Operating Cost Sales Tax 2/	(10)	—	(1 27)	(01)	(14 57)	(12)
Nonoperating Cost Sales Tax	(1 35)	(01)	(3 51)	(02)	(4 44)	(03)
Total Sales Tax	1 45	01	4 78	03	19 01	15
Subtotal	714 29	4 93	133 58	97	138 28	1 10
Federal						
Gasoline	76 76	53	72 53	53	66 18	53
Total Taxes	791 05	5 45	206 11	1 50	204 46	1 63
Operating Costs	1.363 61	9 40	1.345 85	9 82	1.537 43	12 30
Ownership Costs	4 213 32	29 06	2 558 53	18 68	2 366 60	18 93
Total of All Costs	5.576 93	38 46	3 904 38	28 50	3.904 03	31 23

Where costs per mile are less than 005 cents, a dash (—) appears in the column

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FHWA Study

(Continued from page 44)

engine, and standard transmission, and costs $7,024.

The passenger van, weighing less than 5,000 pounds, is equipped with an 8-cylinder engine, automatic transmission, power steering and brakes, dual air conditioning and heating, and costs $12,788.

The federal report, intended for the general public, carefully makes a point that every fleet manager lives with every day: "Most owners think of costs only in terms of outlays for gasoline, oil, tires and tolls. A more careful examination shows that some costs occur whether or not the vehicle is driven, while others are directly related to the amount of travel. The travel-related group is generally referred to as operating costs and the other group is ownership costs."

Ownership Costs

Ownership costs include depreciation, insurance, registration and titling fees, scheduled maintenance, and any taxes applied to these items. No matter how little a vehicle is driven, some portion of each of these items is incurred.

According to FHWA, "Depreciation is the loss in value of the vehicle during its lifetime due to passage of time, its mechanical and physical condition, and the number of miles it is driven.

"It is the single greatest cost of owning and operating most passenger vehicles during a 12-year life span; however, the cost of gas and maintenance are also significant. In the majority of cases, the age of the vehicle is the most important factor in determining resale or trade-in value. Such factors as mileage, brand popularity, body style, size, and color are also considered. For large cars and vans, by far the largest dollar depreciation occurs in the first few years. For smaller cars, the depreciation is spread more evenly over the years. Since newer vehicles are

(Continued on page 48)

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FHWA Study

(Continued from page 46)

assumed to be driven more miles than older vehicles, the depreciation cost on a per-mile basis is held down during the first few years.

Operating costs, according to the report, "include repairs and maintenance, gasoline, oil, tires, parking, tolls, and the taxes applied to these items."

It is interesting to note that by projecting the government's estimated operating expenses for intermediate and compact cars, based on a three-year period, or driving 40,700 miles, brings them close to the operating expenses reported by NAFA members in the 1983 operating expense study conducted by the Association:

Operating Expenses

Car Size	NAFA	FHWA
Intermediate or Mid-Size	.0865	.0731
Compact	.0695	.0580

The operating expenses, computed by the Federal Highway Administration, are based on these projected miles per gallon fuel efficiencies: large cars — 17; intermediate cars — 21; compact cars — 26; subcompact cars — 27; and passenger vans — 13 miles per gallon.

NAFA's operating expense survey, compared with the FHWA's report, reveals that the estimated miles per gallon for intermediate or mid-size cars is 20.05 and 24.1 for the compact cars.

Business Use of Car

The FHWA study is not intended to establish the basis for determining an appropriate reimbursement for costs associated with use of an employee's personal automobile for business purposes. The results of the study may be useful as a general guide for determining reimbursement rates; however, many factors, such as special requirements pertaining to purchase or upkeep of the vehicle related to use for business purposes should also be taken into account.

New legislation on the personal use of business cars, according to Touche Ross, a large accounting firm, states that: "If an automobile is not used at least 50 percent for business purposes, no investment

Table 2
Estimated Cost of Owning and Operating
An Intermediate-Size 1984 Model Automobile
(Total Costs in Dollars, Costs Per Mile in Cents)

Item	First Year (14.500 Miles)		Second Year (13.700 Miles)		Third (12.500 Miles)	
	Total Cost	Cost Per Mile	Total Cost	Cost Per Mile	Total Cost	Cost Per Mile
Cost Excluding Taxes						
Depreciation	2.385.00	16.45	1.401.00	10.23	1.213.00	9.70
Scheduled Maintenance	(65.85)	(.45)	(108.75)	(.79)	(110.65)	(.89)
Nonscheduled Repairs and Maintenance	(11.34)	(.08)	(47.79)	(.35)	(364.85)	(2.91)
Total Repairs and Maintenance	77.19	.53	156.54	1.14	475.50	3.80
Replacement Tires	15.43	.11	14.54	.11	13.26	.11
Accessories	14.09	.10	13.45	.10	12.54	.10
Gasoline	803.62	5.54	759.28	5.54	692.81	5.54
Oil	8.75	.06	15.75	.12	15.75	.13
Insurance	732.00	5.05	732.00	5.34	732.00	5.85
Parking and Tolls	136.56	.94	128.66	.94	117.37	.94
Total	4.172.64	28.78	3.221.22	23.52	3.272.23	26.17
Taxes and Fees						
State						
Gasoline	93.20	.64	88.06	.64	80.35	.64
Registration	20.00	.14	20.00	.14	20.00	.16
Titling	516.00	3.56	—	—	—	—
Operating Cost Sales Tax 2/	(.10)	—	(.68)	(.01)	(11.75)	(.10)
Nonoperating Cost Sales Tax	(1.34)	—	(3.16)	(.02)	(1.27)	(.01)
Total Sales Tax	1.44	.01	3.84	.03	13.02	.11
Subtotal	630.64	4.35	111.90	.82	113.01	.91
Federal						
Gasoline	62.14	.43	58.71	.43	53.53	.43
Total Taxes	692.78	4.78	170.61	1.24	166.90	1.34
Operating Costs	1.131.14	7.80	1.113.47	8.13	1.349.67	10.80
Ownership Costs	3.734.28	25.76	2.278.36	16.63	2.089.46	16.71
Total of All Costs	4.865.42	33.56	3.391.83	24.76	3.439.13	27.51

credit will be allowed and depreciation for the business portion will be computed on the straight-line method over five years.

"An employee will not be eligible for investment credit or depreciation deductions on personal automobiles used in business unless the use of the car is a condition of employment. Rules are also provided to restrict rental deductions for leased automobiles. However, taxpayers are still entitled to take automobile deductions based on a standard mileage rate, currently 20.5 cents per mile of business use up to 15,000 miles. Effective date: Automobiles placed in service after June 18, 1984, with an exception for binding contracts prior to that date."

Touche Ross goes on to explain that "taxpayers will be required to keep contemporaneous records (a log) for business

(Continued on page 50)

Table 3
Estimated Cost of Owning and Operating A Compact-Size 1984 Model Automobile
(Total Costs in Dollars, Costs Per Mile in Cents)

Item	First Year (14.500 Miles)		Second Year (13.700 Miles)		Third (12.500 Miles)	
	Total Cost	Cost Per Mile	Total Cost	Cost Per Mile	Total Cost	Cost Per Mile
Cost Excluding Taxes						
Depreciation	1 595 00	11 00	1 105 00	8 07	1 005 00	8 04
Scheduled Maintenance	(34 80)	(24)	(108 95)	(80)	(92 15)	(74)
Nonscheduled Repairs and Maintenance	(9 50)	(07)	(45 45)	(33)	(217 70)	(1 74)
Total Repairs and Maintenance	44 30	31	154 40	1 13	309 85	2 48
Replacement Tires	12 57	09	11 08	08	10 81	08
Accessories	17 13	12	16 32	12	15 16	12
Gasoline	649 05	4 48	613 31	4 48	559 53	4 48
Oil	8 75	06	15 75	11	15 75	13
Insurance	537 00	3 70	537 00	3 92	537 00	4 30
Parking and Tolls	136 56	94	128 66	94	117 37	94
Total	3.000 36	20 70	2.581 52	18 85	2.570 47	20 57
Taxes and Fees						
State						
Gasoline	75 28	52	71 13	52	64 89	52
Registration	20 00	14	20 00	15	20 00	16
Titling	439 95	3 03	—	—	—	—
Operating Cost Sales Tax 2/	(13)	—	(68)	—	(8 80)	(07)
Nonoperating Cost Sales Tax	(1 43)	(01)	(2 78)	(02)	(3 64)	(03)
Total Sales Tax	1 56	01	3 46	02	12 44	10
Subtotal	536 79	3 70	94 59	69	97 33	78
Federal						
Gasoline	50 18	34	47 42	34	43 26	34
Total Taxes	586 97	4 04	142 01	1 03	140 59	1 12
Operating Costs	942 02	6 50	933 48	6 81	1 038 11	8 31
Ownership Costs	2 645 31	18 24	1 790 05	13 07	1 672 95	13 38
Total of All Costs	3.587 33	24 74	2 723 53	19 88	2 711 06	21 69

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FHWA Study

(Continued from page 49)

use of automobiles and other personal property. Similar records must be kept for traveling expenses, expenses for the production of income, entertainment expenses and business gifts. If a deduction is claimed without adequate records, a negligence penalty can be imposed in addition to disallowance of the deductions." ■

Table 4
Estimated Cost of Owning and Operating A Subcompact-Size 1984 Model Automobile (Total Costs in Dollars, Costs Per Mile in Cents)

Item	First Year (14,500 Miles)		Second Year (13,700 Miles)		Thi (12,500 iles)	
	Total Cost	Cost Per Mile	Total Cost	Cost Per Mile	Total Cost	Cost Per Mile
Cost Excluding Taxes						
Depreciation	903.00	6.23	888.00	6.48	832.00	6.66
Scheduled Maintenance	(27.65)	(.19)	(73.30)	(.54)	(110.50)	(.89)
Nonscheduled Repairs and Maintenance	(8.50)	(.06)	(39.95)	(.29)	(318.85)	(2.55)
Total Repairs and Maintenance	36.15	25	113.25	83	429.35	3.44
Replacement Tires	11.67	08	11.00	08	11.03	09
Accessories	14.62	10	13.95	10	13.00	10
Gasoline	625.07	4.31	590.61	4.31	538.82	4.31
Oil	7.00	05	14.00	10	14.00	11
Insurance	635.00	4.38	635.00	4.64	635.00	5.08
Parking and Tolls	136.56	94	128.66	94	117.37	94
Total	2,369.07	16.34	2,394.47	17.48	2,590.57	20.73
Taxes and Fees						
State						
Gasoline	72.50	50	68.50	50	62.49	50
Registration	20.00	14	20.00	15	20.00	16
Titling	351.20	2.42	—	—	—	—
Operating Cost Sales Tax 2/	(.13)	—	(1.70)	(.01)	(11.51)	(.09)
Nonoperating Cost Sales Tax	(1.33)	(.01)	(1.66)	(.01)	(5.23)	(.04)
Total Sales Tax	1.46	01	3.36	02	16.74	13
Subtotal	445.16	3.07	91.86	67	99.23	79
Federal						
Gasoline	48.33	33	45.67	33	41.66	33
Total Taxes	493.49	3.40	137.53	1.00	140.89	1.12
Operating Costs	909.76	6.27	900.09	6.57	1,115.73	8.92
Ownership Costs	1,952.80	13.47	1,631.91	11.91	1,615.73	12.93
Total of All Costs	2,862.56	19.74	2,532.00	18.48	2,731.46	21.85

Table 5
Estimated Cost of Owning and Operating A 1984 Model Passenger Van (Total Costs in Dollars, Costs Per Mile in Cents)

Item	First Year (14,500 Miles)		Second Year (13,700 Miles)		Third (12,500 Miles)	
	Total Cost	Cost Per Mile	Total Cost	Cost Per Mile	Total Cost	Cost Per Mile
Cost Excluding Taxes						
Depreciation	3,914.00	26.99	1,851.00	13.51	1,356.00	10.85
Scheduled Maintenance	(113.12)	(.78)	(248.72)	(1.82)	(126.72)	(1.01)
Nonscheduled Repairs and Maintenance	(27.00)	(.19)	(190.20)	(1.39)	(477.09)	(3.82)
Total Repairs and Maintenance	140.12	97	438.92	3.21	603.81	4.83
Replacement Tires	16.20	11	15.27	11	64.01	51
Accessories	17.40	12	16.63	12	15.54	12
Gasoline	1,298.21	8.95	1,226.62	8.95	1,119.19	8.95
Oil	10.50	07	19.25	14	19.25	16
Insurance	1,129.00	7.79	1,129.00	8.24	1,129.00	9.03
Parking and Tolls	136.56	94	128.66	94	117.37	94
Total	6,661.99	45.94	4,825.35	35.22	4,424.17	35.39
Taxes and Fees						
State						
Gasoline	150.57	1.04	142.26	1.04	129.80	1.04
Registration	30.00	21	30.00	22	30.00	24
Titling	639.40	4.41	—	—	—	—
Operating Cost Sales Tax 2/	(.15)	—	(7.06)	(.05)	(16.31)	(.13)
Nonoperating Cost Sales Tax	(2.02)	(.01)	(9.21)	(.07)	(1.93)	(.02)
Total Sales Tax	2.17	01	16.27	12	18.24	15
Subtotal	822.14	5.67	188.53	1.38	178.04	1.43
Federal						
Gasoline	100.38	69	94.84	69	86.54	69
Total Taxes	922.52	6.36	283.37	2.07	264.58	2.12
Operating Costs	1,739.57	11.99	1,824.16	13.31	2,029.56	16.24
Ownership Costs	5,844.94	40.31	3,284.56	23.98	2,659.19	21.27
Total of All Costs	7,584.51	52.30	5,108.72	37.29	4,688.75	37.51

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New Car Acquisition Survey

(Continued from page 20)

compacts; 15 percent compacts; 42 percent mid-size, and 37 percent large cars. During the 1984 model year these fleets acquired 1,749 new cars. They plan to acquire 2,140 new vehicles during the 1985 model year.

Five percent of the new car orders will be for sub-compacts; 22 percent compacts; 44 percent mid-size, and 29 percent large cars. Sixty-nine percent of the new car orders will be for bottom line models, and only one percent for top-of-the-line models.

Ninety percent of the new car orders will be for four-door sedans; seven percent for station wagons, and three percent for five-door hatchbacks. Two of the 15 fleets say they will order a few new mini-vans during the coming model year.

Six of the 15 fleets are planning major changes in their car policies during the 1985 model year. Three are switching to compacts from sub-compacts; one is moving down from large and compacts to compacts and sub-compacts; one is going all the way from large cars to sub-compacts, while the other is moving to mid-size units from large cars.

No fleet in this segment of the government group is planning any changes in its engine or transmission policies. And, as might be expected, no fleet gives drivers or operators any voice in the new car specifications or selection process.

The Education sub-group consists of seven fleets operating 1,041 cars (all but 38 are owned by the institutions). The current composition of these fleets is sub-compacts, nine percent; compacts, 28 percent; mid-size cars, 30 percent, and large cars, 33 percent. These fleets acquired 227 new cars during the 1984 model year and plan to purchase 244 new units in 1985. Of the new units, 39 percent will be compacts; 45 percent will be mid-size, and 16 percent, large cars. None of the fleets is planning to acquire any sub-compacts in the 1985 model year. Almost all of their new cars will be middle line models.

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Sixty-seven percent of the new cars will be four-door sedans; 14 percent will be vans; 11 percent station wagons, and eight percent five-door hatchbacks.

Three of the seven fleets in the group say they plan to order some two-door specialty models in the coming year. None plans to buy or lease any imports, although one fleet did report that it had a few imports already in service.

The pattern of engine use seen in other segments is continued in this small group — four cylinder engines in sub-compacts and compacts; six cylinder engines in mid-size cars, and eight cylinder engines in their large cars.

No fleet in the group is planning any change in engine-use policy and no fleet is planning to switch to manual transmission in the 1985 model year.

Two of the seven fleets in the Education subgroup give the operator a limited choice in new car selection. One fleet permits a choice of model, while the other permits the driver to add optional equipment at personal expense. ■

Why Options Have Changed

Cruise control and door locks have gained popularity as an option ordered by fleet managers on all cars, according to NAFA's new car acquisition survey. "Ten years ago door locks weren't even considered an option on the vehicle selector list," says Hal Barton, general manager, fleet operations, Chrysler Corp.

Why the change? Barton believes that fleet vehicle options have changed because of the influx of women entering the fleet industry.

Barton based his statement on a study, recently conducted by Chrysler, which showed a large difference in option preference between male and female fleet managers. Both groups were asked which options they find "most important." Male fleet managers ranked AM/FM stereo and cruise control as most important, while female managers cited tilt wheel and door locks as most important. Women chose tilt wheel for its ease and comfort when sliding in and out of a car and door locks for security.

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